UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997.
Commission file number 1-7945.

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (612) 483-7111.

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. _X_ Yes __ No

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is $2,807,237,100 based on the last sales price of the registrant's common stock on the New York Stock Exchange on March 9, 1998. The number of outstanding shares of the registrant's common stock as of March 9, 1998, was 80,595,391.

Documents Incorporated by Reference:

1. Portions of the registrant's annual report to shareholders for the fiscal year ended December 31, 1997 are incorporated by reference in Parts I and II.

2. The registrant's proxy statement, dated March 31, 1998, is incorporated by reference in Part III.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Deluxe Corporation (collectively with its subsidiaries, the "Company") is a leading supplier of paper-based and electronic payment and information solutions services to the financial and retail industries. The Company also provides integrated payment protection services to the financial and retail markets. The Company is headquartered in Shoreview, Minnesota, and has facilities in the United States, Puerto Rico, Canada and the United Kingdom. The Company's products and services are sold primarily in the United States.

The Company's operations are conducted by Deluxe Corporation and 25 subsidiaries. The Company has classified its operations into three business segments: Deluxe Financial Services, Deluxe Electronic Payment Systems and Deluxe Direct. The Company is also a party to a Joint Venture with HCL Corporation of India.

The Company was incorporated under the laws of the State of Minnesota in 1920. From 1920 until 1988, the Company was named Deluxe Check Printers, Incorporated. The Company's principal executive offices are located at 3680 Victoria St. N., Shoreview, Minnesota 55126-2966, telephone (612) 483-7111.

## DELUXE FINANCIAL SERVICES

Deluxe Financial Services provides check printing, direct marketing, customer database management and related services to financial institutions. Deluxe Financial Services also provides checks directly to households and small businesses and payment protection and collections services to financial institutions and retailers, primarily in the United States. Deluxe Financial Services had net sales of approximately $1.5 billion in 1997, accounting for approximately 80.4 percent of the Company's total sales. Deluxe Financial Services has divided its operations into three business units: Deluxe Paper Payment Systems, Deluxe Payment Protection Systems and Deluxe Direct Response. Each of these business units is discussed below.

### Deluxe Paper Payment Systems

Deluxe Paper Payment Systems ("DPPS") prints and sells checks to financial institutions and depositors. DPPS sold checks to more than 10,000 financial institutions and fulfilled approximately 112 million check order units in 1997. Depositors commonly submit initial check orders and reorders to their financial institutions, which forward them to one of DPPS' printing plants. Printed checks are shipped directly by DPPS to the depositors and DPPS' charges are typically paid directly from the depositors' accounts. DPPS, through a separate subsidiary, also provides direct mail checks to households and small businesses. DPPS endeavors to produce and ship all check orders within two days after receipt of the order. DPPS generated revenues of approximately $1.3 billion in 1997.

Payment systems and methods have been changing in the United States in recent years as banking and other industries have introduced alternatives to the traditional check, including, among others, charge cards, credit cards, debit cards and electronic payment systems. Sales of checks have also been subject to increased competition and consequent pressure on prices. In addition, the direct mail segment of the check market is growing as a lower-priced alternative to financial institution checks and, in 1997, represented an estimated 18 percent of the personal check industry. These developments have produced a mature market for checks and have created pricing pressure on DPPS' check sales.

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

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

### Deluxe Payment Protection Systems

The Company offers integrated payment protection services through the subsidiaries which comprise its Deluxe Payment Protection Systems division: Chex Systems, Inc. ("ChexSystems"); Deluxe Payment ProtectionSystems , Inc.; and NRC Holding Corporation ("NRC") and its subsidiaries. ChexSystems is the leader in the account verification business, providing risk management information to approximately 74,000 financial institution offices. Through its Shared Check Authorization Network ("SCAN"), Deluxe Payment Protection Systems, Inc. operates one of the nation's leading check verification service with a network consisting of thousands of retail locations that share risk-management information. NRC is one of the five largest U.S. collections agencies, processing $4.5 billion in placements in 1997 for approximately 30,000 credit grantors. Deluxe Payment Protection Systems also offers employee screening services through ESP Employment Screening Partners, Inc. Deluxe Payment Protection Systems had revenues of $193 million in 1997.

### Deluxe Direct Response

Deluxe Direct Response develops targeted direct mail marketing campaigns for financial institutions and it also sells personalized plastic automated teller machine (ATM) cards and credit and debit cards to financial institutions and retailers and driver's licenses and other identification cards to government agencies. Deluxe Direct Response provides database products from the Company's

Deluxe Data Resources, FUSION Marketing(SM) and Deluxe MarketWise businesses and fulfillment services that include printing and mailing direct mail marketing pieces (including letter checks offered to credit card holders) and tracking customer response rates. Deluxe Data Resources provides financial institutions with a comprehensive database of proprietary homeowner, consumer, and market research information. Deluxe MarketWise offers software that enables financial institutions to develop customer profiles from their separate databases - including checking, savings, credit card and loans - and from Deluxe-provided databases. FUSION Marketing(SM) provides financial institutions with normative database information and direct mail campaign development and tracking. The Deluxe Direct Response business unit contributed $53 million in revenues in 1997.

DELUXE ELECTRONIC PAYMENT SYSTEMS

The Deluxe Electronic Payment Systems ("DEPS") business segment is comprised of Deluxe Electronic Payment Systems, Inc., which provides electronic funds transfer processing and software and is the nation's largest third-party transaction processor for regional ATM networks. DEPS also provides services in emerging debit markets, including electronic benefit transfer ("EBT") and retail point-of-sale ("POS") transaction processing. EBT programs use ATM and POS terminals to deliver food stamps and welfare assistance. DEPS currently supports EBT programs for the state governments of Louisiana, Maryland, Minnesota, Oregon, New Jersey, Utah, Kansas and two counties in California. DEPS also provides Medicaid verification services in New York and is part of coalitions that are supporting or will support EBT programs in Oklahoma, Pennsylvania, the Northeast Coalition of States, the Western States EBT Alliance and the Southern Alliance of States. DEPS processed approximately 3.55 billion transactions in 1997 and had net sales of approximately $144 million in 1997, representing approximately 7.5% of the Company's total sales.

In 1997, the Company formed a joint venture with HCL Corporation ("HCL") of New Delhi, India, to help modernize India's banking industry. The joint venture provides software and programming capabilities available to the Company and U.S. financial institutions. The results of the joint venture did not have a material effect on the Company's operations in 1997.

DELUXE DIRECT

Deluxe Direct markets specialty papers, and other products to small businesses, and sells direct mail greeting cards, gift wrap and related products to households. Deluxe Direct had net sales of approximately $233 million in 1997 (such amount includes revenues attributable to businesses that were divested in 1997, see "Recent Developments"), accounting for approximately 12.1% of the Company's total sales. Deluxe Direct markets its products primarily through the Social Expressions division of Current, Inc. ("Current") and PaperDirect, Inc. ("PaperDirect").

Current is a direct mail supplier of social expression products, including greeting cards, gift wrap, small gifts and related products. Current's social expression business is seasonal and holiday-related. Historically, more than one-third of Current's annual sales have been made in the fourth quarter. Current's direct mail check business is included in "Deluxe Financial Services - -- Deluxe Paper Payment Systems". PaperDirect is a direct mail marketer of specialty papers, presentation products and pre-designed forms for laser printing and desktop publishing.

The Company has determined that the businesses in the Deluxe Direct segment do not fit into the Company's long-term plans. During 1996, 1997 and the first quarter of 1998 a number of businesses in this segment were sold and the remaining portions of this business segment are expected to be sold in 1998.

RECENT DEVELOPMENTS

In late 1995 and early 1996, the Company announced that it had initiated a major consolidation program, which includes the closing of 26 of the Company's 41 financial institution check printing facilities and reducing the number of its staff and production employees. Twelve plants were closed in 1996, 10 additional plants were closed in 1997 and an additional plant was recently converted to the production of business checks and forms. The balance of the closings announced in 1996 are scheduled to occur during 1998 and the first half of 1999. Some of the closings were delayed due to software problems encountered in the development and implementation of the Company's new check order entry and customer service system.

In 1997, the Company divested Nelco, Inc., a supplier of tax forms, tax forms software and electronic tax filing services, its Printovation and World's Easiest businesses and its installment loan coupon business. The Company also divested its cheque printing business in the United Kingdom. In 1998, the Company sold the assets of its PaperDirect (UK) Limited subsidiary to an entity that now acts as the exclusive European distributor for PaperDirect. In 1997, the Company also purchased the assets of Fusion Marketing Group, Inc. a consulting firm that assists financial institutions with direct mail database

marketing campaigns. These divestitures and acquisitions did not have a material impact on the Company's results of operations in 1997.

The Company has also entered into agreements with unrelated third parties to create a data warehouse, or debit bureau, that will offer financial institutions and retailers decisional support for direct debit-based products.

EMPLOYEES

The Company has approximately 18,900 full- and part-time employees. It has a number of employee benefit plans, including a 401(k) plan, retirement and profit sharing plans and medical and hospitalization plans. The Company has never experienced a work stoppage or strike and considers its employee relations to be good.

FINANCIAL INFORMATION

The information appearing under the caption "Note 13. Business Segment Information" on pages 31-32 of the Company's Annual Report (the "Annual Report") for the year ended December 31, 1997 is incorporated by reference.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are elected by the Board of Directors each year. The term of office of each executive officer will expire at the annual meeting of the Board of Directors which will be held after the regular shareholders meeting on May 5, 1998. The principal occupation of each executive officer is with the Company, and their positions are as follows:

| Name | Position | Age | Officer Since |
|---|---|---|---|
| John A. Blanchard III | Chairman of the Board, President and Chief Executive Officer | 55 | 1995 |
| Lawrence J. Mosner | Executive Vice President | 55 | 1995 |
| Thomas W. VanHimbergen | Senior Vice President and Chief Financial Officer | 49 | 1997 |
| Gregory J. Bjorndahl | Senior Vice President, Sales and Marketing | 47 | 1995 |
| Ronald E. Eilers | Senior Vice President and General Manager, Deluxe Paper Payment Systems | 50 | 1996 |
| John H. LeFevre | Senior Vice President, Secretary and General Counsel | 54 | 1994 |
| Michael F. Reeves | Vice President, Human Resources | 48 | 1987 |
| Warner F. Schlais | Vice President and Chief Information Officer | 45 | 1997 |

MR. BLANCHARD has served as President and Chief Executive Officer of the Company since May 1, 1995 and as Chairman of the Board of Directors since May 6, 1996. From January 1994 to April 1995, Mr. Blanchard was executive vice president of General Instrument Corporation, a supplier of systems and equipment to the cable and satellite television industry. From 1991 to 1993, Mr. Blanchard was chairman and chief executive officer of Harbridge Merchant Services, a national credit card processing company. Previously, Mr. Blanchard was employed by American Telephone & Telegraph Company for 25 years, most recently as senior vice president responsible for national business sales. Mr. Blanchard also serves as a director of Norwest Corporation and Saville Systems PLC.

MR. MOSNER has served as Executive Vice President of the Company with overall responsibility for all of its day-to-day operations since July 1997. Mr. Mosner served as Senior Vice President of the Company from November 1995 until October 1996, when he became President of Deluxe Direct, Inc. ("DDI") a subsidiary of the Company that provided management services to the companies comprising its Deluxe Direct business unit. As a Senior Vice President of the Company and President of DDI, Mr. Mosner served as the Principal Executive Officer of Deluxe Direct. In February 1997, Mr. Mosner returned to the office of Senior Vice President of the Company and he served as President of its Deluxe Financial Services business unit until he became Executive Vice President of the Company. . Mr. Mosner was Executive Vice President and Chief Operating Officer of Hanover Direct, a direct marketing company, with responsibility for non-apparel products, from 1993 until he joined the Company. Previously, he was

employed for 28 years by Sears, Roebuck and Company, where he was Vice President of catalog merchandising from 1991 to 1993.

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

MR. BJORNDAHL joined the Company in 1995 as a Vice President, and he was initially responsible for Sales and Marketing for Deluxe Financial Services and DEPS. In August 1997, Mr. Bjorndahl was promoted to Senior Vice President and he now has overall responsibility for the Company's sales and marketing efforts. Prior to joining the Company, Mr. Bjorndahl was vice president of marketing for Citicorp Credit Services, Inc.'s ("Citicorp"), Master Card and Visa operations from January 1994 to July 1995. Citicorp is a credit card issuer. From 1991 until he joined Citicorp, Mr. Bjorndahl served as senior vice president, product development, for Visa International, a credit card processing company.

MR. EILERS joined the Company in March 1988 when it purchased Current. From 1990 to 1995, Mr. Eilers served as Vice President and General Manager of Current's direct mail check business. In 1995, Mr. Eilers became President of PaperDirect, Inc. and the manager of the Company's business forms division. Mr. Eilers became a Vice President of DDI in October 1996 and he succeeded Mr. Mosner as the President of DDI in February 1997. In August 1997, Mr. Eilers became a Senior Vice President of the Company and he now manages its Deluxe Paper Payment Systems business.

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

MR. REEVES has been employed by the Company since 1970 and has been a Vice President since 1987. From 1987 to 1992, Mr. Reeves was regional manager of the Company's Northeastern region's printing operations. From 1992 to 1994, Mr. Reeves was the manager of the Company's financial institution forms business unit, and since July 1994, Mr. Reeves has had principal responsibility for the Company's human resources function.

MR. SCHLAIS became Vice President and Chief Information Officer of the Company in December 1997. Mr. Schlais joined the Company in 1995 as vice president of applications development supporting the Company's Deluxe Financial Services business unit. Prior to joining the Company, Mr. Schlais was employed by United Airlines, Inc. ("United Airlines") for 21 years, most recently as its Director, I.T., planning and technology. United Airlines is a provider of air transportation.

## ITEM 2. PROPERTIES

The Company conducts production and service operations in 68 facilities located in 29 states, Puerto Rico, Canada and the United Kingdom. These facilities total approximately 4,763,000 square feet. The Company's headquarters occupies a 160,000-square-foot building in Shoreview, Minnesota. Deluxe Financial Services has two principal facilities in Shoreview, Minnesota, totaling approximately 251,700 square feet. These sites are devoted to sales, administration, and marketing. Deluxe Direct's principal office facilities are a 156,000-square-foot marketing building in Shoreview, Minnesota, and a 148,000-square-foot sales and product design building in Colorado Springs, Colorado. Deluxe Electronic Payment System's primary administrative facility occupies a 171,000 square foot building in Milwaukee, Wisconsin and its principal data processing centers are located in New Berlin, Wisconsin and Scottsdale, Arizona. All but four of the Company's production facilities are one story buildings and most were constructed and equipped in accordance with the Company's plans and specifications.

More than half of the Company's total production area has been constructed during the past 20 years. The Company owns 40 of its facilities and leases the

remainder for terms expiring from 1998 to 2009. Depending upon the circumstances, when a lease expires, the Company either renews the lease or constructs a new facility to replace the leased facility.

In late 1995 and early 1996, the Company announced a plan to close 26 of its financial institution check printing plants. These plant closings were made possible by advancements in the Company's telecommunications, order processing and printing technologies. Upon the completion of this restructuring, the Company's 15 remaining plants will be equipped with sufficient capacity to produce at or above current order volumes. As of December 31, 1997, 22 of the 26 plants had been closed and an additional plant was converted to the production of business checks and forms in the first quarter of 1998. The three remaining plants are scheduled for closing in 1998 and the first half of 1999. The Company also moved the warehousing and administrative facilities of one of its direct mail businesses from New Jersey to Colorado in 1997.

ITEM 3. LEGAL PROCEEDINGS

In October, 1997, the jury in the action Mellon Bank, N.A. v. Deluxe Data Systems, Inc. and Deluxe Corporation pending in the Western District of Pennsylvania reached a $30 million verdict against Deluxe Data Systems, Inc.(Deluxe Electronic Payment Systems, Inc. ("DEPS")) in litigation pertaining to DEP's participation in a contract to provide electronic benefits transfer services to a number of southeastern states. No liability was found against Deluxe Corporation. The Company and DEPS believe that numerous errors were made by the court during trial and that the verdict against DEPS is excessive and unsupported by the law or the evidence introduced at trial. The Company and DEPS plan to pursue the remedies available to seek its reversal, although there can be no assurances that their efforts to vacate or reduce this judgment will be successful.

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

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

Not applicable.

PART II

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

The information appearing under the caption "Financial Highlights" on page 1, and "Shareholder Information" on page 36 of the Annual Report is incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under the caption "Six-Year Summary" on page 19 of the Annual Report is incorporated by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information appearing under the caption "Management's Discussion and Analysis" on pages 14 through 18 of the Annual Report is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, notes and independent auditors' report on pages 20 through 33 of the Annual Report and the information appearing under the caption "Summarized Quarterly Financial Data" (unaudited) on page 34 of the Annual Report is incorporated by reference.

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

Not applicable.

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT,

EXECUTIVE COMPENSATION, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's proxy statement, filed with the Securities and Exchange Commission on March 31, 1998, is incorporated by reference, other than Sections entitled "Compensation Committee Report on Executive Compensation" and "Total Shareholders Return."

## PART IV

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

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

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

(b) Reports on Form 8-K

None

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

<TABLE>
<CAPTION>

| Exhibit Number | Description | Method of Filing |
|---|---|---|
| <S> | <C> | <C> |
| 3.1 | Articles of Incorporation ( incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990). | * |
| 3.2 | Bylaws. | Filed herewith |
| 4.1 | Amended and Restated Rights Agreement, dated as of January 31, 1997, by and between the Company and Norwest Bank Minnesota, National Association, as Rights Agent, which includes as Exhibit A thereto, the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 1 on Form 8-A/A-1 (File No. 001-07945) filed with the Securities and Exchange Commission (the "Commission") on February 7, 1997). | * |
| 4.2 | Indenture, relating to up to $150,000,000 of debt securities (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (33-32279) filed with the Commission on November 24, 1989). | * |
| 4.3 | Amended and Restated Credit Agreement, dated as of July 8, | Filed |
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| | 1997, among the Company, Bank of America National Trust and Savings Association, as agent, and the other financial institutions party thereto, related to a $150,000,000 committed line of credit. | herewith |
| 10.1 | Deluxe Corporation 1996 Annual Incentive Plan (as amended August 9, 1996) (incorporated by reference to Exhibit 10.4 to the Company's report on Form 10-Q for the Quarter ended September 30, 1996 (the "September 1996 10-Q), filed with the Commission on November 14, 1996"). | * |
| 10.2 | Deluxe Corporation Stock Incentive Plan (as amended October 31, 1997), including the Deluxe Corporation Non-Employee Director Stock and Deferral Plan attached as Annex 1 thereto. | Filed herewith |
| 10.3 | Deluxe Corporation Performance Share Plan (incorporated by reference to Exhibit 10.6 to the September 1996 10-Q). | * |
| 10.4 | Deluxe Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 to the September 1996 10-Q). | * |
| 10.5 | Deluxe Corporation Deferred Compensation Plan (incorporated by reference to Exhibit (10)(A) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 10-K")). | * |
| 10.6 | Deluxe Corporation Supplemental Benefit Plan (incorporated by reference to Exhibit (10)(B) to the 1995 10-K). | * |
| 10.7 | Description of Deluxe Corporation Non-employee Director Retirement and Deferred Compensation Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 10-K"). | * |
| 10.8 | Description of Initial Compensation and Employment Arrangement with John A. Blanchard III (incorporated by reference to Exhibit 10(G) to the 1995 10-K). | * |
| 10.9 | Deluxe Corporation 1998 DeluxeSHARES Plan | Filed herewith |
| 10.10 | Description of modification to the Deluxe Corporation Non-Employee Director Retirement and Deferred Compensation | Filed herewith |
| | Plan | |
| 10.11 | Description of John A. Blanchard III Supplemental Pension Plan (incorporated by reference to Exhibit 10(H) in the 1995 10-K). | * |
| 10.12 | Description of Compensation Agreement with Harold V. Haverty (incorporated by reference to Exhibit 10(J) to the 1995 10-K). | * |
| 10.13 | Consulting Agreement, made and entered into as of November 1, 1996, between the Company and Donald R. Hollis (incorporated by reference to Exhibit 10.21 to the 1996 10-K). | * |
| 10.14 | Agreement, dated as of October 24, 1994, between the Company and Michael R. Schwab (incorporated by reference to Exhibit 10.22 to the 1996 10-K). | * |
| 10.15 | Description of Severance Arrangement with Thomas W. VanHimbergen. | Filed herewith |
| 10.16 | Separation Agreement, dated December 23, 1997, between the Company and Michael R. Schwab. | Filed herewith |
| 10.17 | Separation Agreement, dated as of April 25, 1997, by and between the Company and Charles M. Osborne. | Filed herewith |
| 10.18 | Retention Agreement, dated as of October 29, 1997, by and between Deluxe Electronic Payment Systems, Inc., Robert H. Rosseau and the Company (as guarantor). | Filed herewith+ |
| 10.19 | Description of Severance Arrangement with Lawrence J. Mosner. | Filed herewith |
| 10.20 | Description of non-employee Director Compensation Arrangements. | Filed herewith |
| 12.4 | Statement re: computation of ratios. | Filed herewith |
| 13.1 | 1997 Annual Report to shareholders. | Filed |

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|---|---|---|---|
| | | | herewith |
| 21.1 | Subsidiaries of the Registrant. | | Filed herewith |
| 23 | Consent of Experts and Counsel (incorporated by reference to page F-1 of this Annual Report on Form 10-K). | | * |
| 24.1 | Power of attorney. | | Filed herewith |
| 27.1 | Financial Data Schedule for the year ended December 31, 1997. | | Filed herewith |
| 27.2 | Financial Data Schedule for the years ended December 31, 1996 and 1995. | | Filed herewith |
| 27.3 | Financial Data Schedule for the first, second and third fiscal quarters of the year ended December 31, 1996. | | Filed herewith |
| 27.4 | Financial Data Schedule for the first, second and third fiscal quarters of the year ended December 31, 1997. | | Filed herewith |
| 99.1 | Risk Factors and Cautionary Statements. | | Filed herewith |

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* Incorporated by reference

\+ Pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, confidential portions of Exhibit 10.18 have been deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

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

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of St. Paul, State of Minnesota on March 31, 1998.

DELUXE CORPORATION

Date: March 31, 1998

By /s/ John A. Blanchard III

John A. Blanchard III

Chairman of the Board of Directors, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated on March 31, 1997.

| SIGNATURE | TITLE |
|---|---|
| By /s/ John A. Blanchard III<br>John A. Blanchard III | Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer) |
| By /s/ Thomas W. VanHimbergen<br>Thomas W. VanHimbergen | Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) |
| *<br>Whitney MacMillan | Director |
| *<br>James J. Renier | Director |
| *<br>Barbara B. Grogan | Director |

| | |
|---|---|
| Allen F. Jacobson | Director |
| * | |
| Stephen P. Nachtsheim | Director |
| * | |
| Calvin W. Aurand, Jr. | Director |
| * | |
| Donald R. Hollis | Director |
| * | |
| Robert C. Salipante | Director |
| * | |
| Jack Robinson | Director |
| * | |
| Hatim A. Tyabji | Director |

*By: /s/ John A. Blanchard III
John A. Blanchard III
Attorney-in-Fact

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 2-96963, 33-53585 and 33-57261 on Form S-8 and 33-32279, 33-58510 and 33-62041 on Form S-3 of our report dated February 10, 1997, incorporated by reference in this Annual Report on Form 10-K of Deluxe Corporation for the year ended December 31, 1997.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Minneapolis, Minnesota
March 31, 1998

EXHIBIT INDEX

The following exhibits are filed as part of this report:

| Exhibit Number | Description | Page Number |
|---|---|---|
| 3.2 | Bylaws. | |
| 4.3 | Amended and Restated Credit Agreement, dated as of July 8, 1997, Among the Company, Bank of America National Trust and Savings Association, as agent, and the other financial institutions party thereto, related to a $150,000,000 committed line of credit. | |
| 10.2 | Deluxe Corporation Stock Incentive Plan (as amended October 31, 1997), including the Deluxe Corporation Non-Employee Director Stock and Deferral Plan attached as Annex 1 thereto. | |
| 10.9 | Deluxe Corporation 1998 DeluxeSHARES Plan | |
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| 10.19 | Description of Severance Arrangement with Lawrence J. Mosner. | |
| 10.20 | Description of non-employee Director Compensation Arrangements. | |
| 12.4 | Statement re: computation of ratios. | |
| 13.1 | 1997 Annual Report to shareholders. | |
| 21.1 | Subsidiaries of the Registrant. | |
| 24.1 | Power of attorney. | |
| 27.1 | Financial Data Schedule for the year ended December 31, 1997. | |
| 27.2 | Financial Data Schedule for the years ended December 31, 1996 and 1995. | |
| 27.3 | Financial Data Schedule for the first, second and third fiscal quarters of the year ended December 31, 1996. | |
| 27.4 | Financial Data Schedule for the first, second and third fiscal quarters of the year ended December 31, 1997. | |
| 99.1 | Risk Factors and Cautionary Statements | |

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+ Pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, confidential portions of Exhibit 10.18 have been deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit 3.2

# BYLAWS

# OF

# DELUXE CORPORATION
# (AS AMENDED JANUARY 30, 1998)

## ARTICLE I

## OFFICES, CORPORATE SEAL

SECTION 1. REGISTERED OFFICE. The registered office of the corporation in the State of Minnesota shall be as set forth in the articles of incorporation as amended from time to time (the "articles of incorporation") or the most recent resolution of the board of directors of the corporation (the "board of directors") filed with the secretary of state of Minnesota changing the registered office.

SECTION 2. SEAL. The corporation shall not have a corporate seal.

## ARTICLE II

## MEETINGS OF SHAREHOLDERS

SECTION 1. REGULAR MEETINGS OF SHAREHOLDERS.

(a) Regular meetings of the shareholders of the corporation shall be held on such date and at such time and place as the board of directors shall designate.

(b) At a regular meeting of shareholders, the shareholders of the corporation, voting as provided in the articles of incorporation and these bylaws, shall elect a board of directors and shall transact such other business as may properly come before them.

(c) At any regular meeting of shareholders, a person may be a candidate for election to the board of directors only if such person is nominated (i) by the board of directors, (ii) by any nominating committee or person appointed by the board of directors and authorized to make nominations for

election to the board of directors, or (iii) by a shareholder, who complies with the procedures set forth in this paragraph. To properly nominate a candidate, a shareholder shall give written notice of such nomination to the chief executive officer or secretary of the corporation not later than the date specified by Rule 14a-8 (as amended from time to time and any successor rule or regulation, "Rule 14a-8") promulgated under the Securities Exchange Act of 1934 (as amended from time to time, the "Exchange Act") as the last date for receipt by the corporation of shareholder proposals; shall attend the meeting with the candidate whom the shareholder wishes to nominate; and shall propose the candidate's nomination for election to the board of directors at the meeting. The notice by a shareholder shall set forth as to each person whom the shareholder recommends for nomination (v) the name, age, business address and residence address of the person; (w) the principal occupation or employment of the person; (x) the number of shares of stock of the corporation owned by the person; (y) the written and acknowledged statement of the person that such person is willing to serve as a director of the corporation; and (z) any other information relating to the person that would be required to be disclosed in a solicitation of proxies for election of directors pursuant to Regulation 14A (as amended from time to time) under the Exchange Act had the election of the person been solicited by or behalf of the corporation.

(d) To be properly brought before a regular meeting of shareholders, business must be (i) directed to be brought before the meeting by the board of directors or (ii) proposed to be considered at the meeting by a shareholder by giving written notice of the proposal containing the information required by Rule 14a-8 to the chief executive officer or secretary of the corporation not later than the date specified by Rule 14a-8 as the last date for receipt by the corporation of shareholder proposals and shall be presented at the meeting by the proposing shareholder.

(e) No business shall be conducted at a regular meeting of shareholders of the corporation except business brought before the meeting in accordance with the procedures set forth in this Section; provided, however, that once business has been properly brought before the meeting in accordance with such procedures, nothing in this Section shall be deemed to preclude discussion by any shareholder of any such business. If the introduction of any business at a regular meeting of shareholders does not comply with the procedures specified in this Section, the chair of the meeting shall declare that such business is not properly before the meeting and shall not be considered at the meeting.

SECTION 2. QUORUM AT REGULAR MEETINGS OF SHAREHOLDERS. The holders of a majority

of shares outstanding, entitled to vote for the election of directors at a regular meeting of shareholders, represented either in person or by proxy, shall constitute a quorum for the transaction of business.

SECTION 3. SPECIAL MEETINGS OF SHAREHOLDERS. Special meetings of the shareholders of the corporation may be called and held as provided in the Minnesota Business Corporation Act (as amended from time to time, the "MBCA").

SECTION 4. ADJOURNED MEETINGS. Regardless of whether a quorum shall be present at a meeting of the shareholders of the corporation, the meeting may be adjourned from time to time for up to 120 days after the date fixed for the original meeting without notice other than announcement at the time of adjournment of the date, time and place of the adjourned meeting.

SECTION 5. VOTING. At each meeting of the shareholders of the corporation, every shareholder having the right to vote shall be entitled to vote either in person or by proxy. Unless otherwise provided by the MBCA or the articles of incorporation, each shareholder shall have one vote for each share having voting power registered in such shareholder's name on the books of the corporation as of the record date. Jointly owned shares may be voted by any joint owner unless the corporation receives written notice from any one of them denying the authority of that person to vote such shares. Except as otherwise required by the MBCA, the articles of incorporation or these bylaws, all questions properly before a meeting of shareholders shall be decided by a vote of the number of the greater of (i) a majority of the shares entitled to vote on the question and represented at the meeting at the time of the vote, or (ii) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the meeting.

SECTION 6. RECORD DATE. The board of directors may fix a date, not less than 20 days nor more than 60 days preceding the date of any meeting of the shareholders of the corporation, as a record date for the determination of the shareholders entitled to notice of, and to vote at, such meeting, notwithstanding any transfer of shares on the books of the corporation after any record date so fixed. If the board of directors fails to fix a record date for determination of the shareholders entitled to notice of, and to vote at, any meeting of shareholders, the record date shall be the 30th day preceding the date of such meeting. Unless the board of directors sets another time on the record date for the determination of the shareholders of record, such determination shall be made as of the close of business on the record date.

SECTION 7. NOTICE. There shall be mailed to each shareholder, shown on the books of the corporation to be a holder of record of voting shares, at his or her address as shown on the books of the corporation, a notice setting out the date, time and place of each regular and special meeting. Notice of each meeting of the shareholders of the corporation shall be mailed at least seven days and not more than 60 days prior thereto except as otherwise provided by the MBCA. Every notice of any special meeting of the shareholders of the corporation called pursuant to Section 3 hereof shall state the purpose or purposes for which the meeting has been called and shall otherwise conform to the requirements of the MBCA.

SECTION 8. WAIVER OF NOTICE. Notice of any regular or special meeting of the shareholders of the corporation may be waived by any shareholder either before, at or after such meeting orally or in a writing signed by such shareholder or a representative entitled to vote the shares of such shareholder. A shareholder, by attending any meeting of shareholders, shall be deemed to have waived notice of such meeting, except where the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

SECTION 9. CONDUCT OF MEETING. The chairman of the board of directors, or if there shall be none or in his or her absence, the highest ranking officer of the corporation, determined in accordance with Article IV among a group consisting of the chief executive officer, president and the vice presidents, who is present at the meeting, shall call to order and act as the chair of any meeting of the shareholders of the corporation. The secretary of the corporation shall serve as the secretary of the meeting or, if there shall be none or in his or her absence, the secretary of the meeting shall be such person as the chair of the meeting appoints. The chair of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to take or refrain from taking such actions as, in the judgment of the chair of the meeting, are appropriate for the conduct of the meeting. To the extent not prohibited by the MBCA, such rules, regulations and procedures may include, without limitation, establishment of (i) an agenda or order of business for the meeting, (ii) the method by which business may be proposed and procedures for determining whether business has been properly (or not properly) introduced before the meeting, (iii) procedures for casting and the form of ballots to be used by shareholders in attendance at the meeting and the procedures to be followed for counting shareholder votes, (iv) rules, regulations and procedures for maintaining order at the meeting and the safety of those present, (v)

limitations on attendance at or participation in the meeting to shareholders of record of the corporation, their duly authorized proxies or such other persons as the chair of the meeting shall determine, (vi) restrictions on entry to the meeting after the time fixed for commencement thereof and (vii) limitations on the time allotted to questions or comments by participants. Any proposed business properly before the meeting shall be deemed to be on the agenda. Unless and to the extent otherwise determined by the chair of the meeting, it shall not be necessary to follow Robert's Rules of Order or any other rules of parliamentary procedure at the meeting of shareholders. Following completion of the business of the meeting as determined by the chair of the meeting, the chair of the meeting shall have the exclusive authority to adjourn the meeting.

## ARTICLE III

## DIRECTORS

SECTION 1. RESPONSIBILITIES AND TERM. The business and affairs of the corporation shall be managed by or under the direction of the board of directors. The number of directors shall be determined in accordance with the articles of incorporation. The term of each director shall continue until the next succeeding regular meeting of the shareholders of the corporation, and until his successor is elected and qualified.

SECTION 2. QUORUM AND VACANCIES. A majority of the board of directors shall constitute a quorum for the transaction of business; provided, that if any vacancies exist by reason of death, resignation, or otherwise, a majority of the remaining directors shall constitute a quorum for the filling of such vacancies.

SECTION 3. VOTING. Except where otherwise required by the MBCA, the articles of incorporation or these bylaws, the board of directors shall take action by affirmative vote of the greater of (i) a majority of the directors present at a duly held meeting at the time the action is taken or (ii) a majority of the minimum number of directors that would constitute a quorum for the transaction of business at the meeting of directors.

SECTION 4. MEETINGS OF THE BOARD OF DIRECTORS. Meetings of the board of directors may be held from time to time within or without the state of Minnesota.

SECTION 5. NOTICE. Meetings of the board of directors shall be held on such dates and at such times and places as the board of directors may establish and may be called by the chairman of the board of directors or chief executive officer by giving at least twenty-four hours notice of the meeting, if the meeting is to be held at the registered office of the corporation or by telephone conference conducted as permitted by the MBCA or at least five days notice if the meeting is to be held elsewhere, or by any other director by giving at least five days notice of the meeting. Notice of each meeting shall specify the date, time and place thereof and shall be given to each director by mail, telephone, facsimile message or in person. Notice shall not be required if the date, time and place of a meeting of the board of directors has been set by resolution of the board of directors or otherwise announced at a previous meeting of the board of directors or if the meeting is an adjourned meeting of the board of directors if the date, time and place of the adjourned meeting was announced at the meeting at which adjournment is taken.

SECTION 7. WAIVER OF NOTICE. Notice of any meeting of the board of directors may be waived by any director either before, at, or after such meeting orally or in a writing signed by such director. A director, by attending any meeting of the board of directors, shall be deemed to have waived notice of such meeting, except where the director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting.

SECTION 8. WRITTEN CONSENT OR OPPOSITION. A director may give advance written consent or opposition to a proposal to be acted on at a meeting of the board of directors. If such director is not present at the meeting, such written consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but such written consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

SECTION 9. COMPENSATION. Directors who are not employees of the corporation shall receive such compensation as shall be set from time to time by the chief executive officer, subject to the power of the board of directors or a committee thereof to change or terminate any such compensation. The chief executive officer shall also determine whether directors shall receive their expenses, if

any, of attendance at meetings of the board of directors or any committee thereof and procedures for the reimbursement of such expenses, subject to the power of the board of directors or a committee thereof to change or terminate any such reimbursements or procedures. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving proper compensation therefor.

SECTION 10. STOCK OWNERSHIP. Directors shall be shareholders of the corporation.

SECTION 11. EXECUTIVE COMMITTEE. The board of directors may, by unanimous affirmative action of all of the directors, designate two or more of their number to constitute an executive committee, which, to the extent determined by unanimous affirmative action of all of the directors, shall have and exercise the authority of the board of directors in the management of the business of the corporation subject to such limitations and procedures as may be established by the board of directors in connection with any such action; provided, however, that the board of directors shall not delegate to such committee any power to amend the bylaws, declare dividends, fill vacancies on the board of directors or on the executive committee, or elect or remove officers of the corporation. Any such executive committee may meet at stated times or on notice given by any of their own number, however, it may act only during the interval between meetings of the board of directors. Vacancies in the membership of the executive committee shall be filled by the board of directors at a regular meeting or at a special meeting called for that purpose.

## ARTICLE IV

## OFFICERS

SECTION 1. CORPORATE OFFICERS. The officers of the corporation shall consist of a chief executive officer and a chief financial officer elected by the board of directors and, if elected by the board of directors, a president, secretary, one or more assistant secretaries, a treasurer and one or more assistant treasurers. The board of directors may also elect and designate as an officer of the corporation one or more vice presidents and such other officers and agents as the board of directors may from time to time determine. The chairman of the board of directors, if one is elected, may be designated by the board of directors as an officer of the corporation. Any number of offices may be held by the same person.

SECTION 2. CHAIRMAN OF THE BOARD OF DIRECTORS. The chairman of the board directors, if one is elected, shall preside at all meetings of the shareholders and directors and shall have such other duties as may be prescribed from time to time by the board of directors.

SECTION 3. CHIEF EXECUTIVE OFFICER. The chief executive officer of the corporation shall have general active management of the business and affairs of the corporation. In the absence of the chairman of the board of directors, or if one is not elected, the chief executive officer shall preside at all meetings of the shareholders and directors. The chief executive officer shall see that all orders and resolutions of the board of directors are carried into effect. The chief executive officer may execute and deliver, in the name of the corporation, any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation unless the authority to execute and deliver is required by the MBCA to be exercised by another person or is expressly delegated by the articles of incorporation, these bylaws or by the board of directors to some other officer or agent of the corporation. In the absence of the secretary and assistant secretary, or if none shall be elected, the chief executive officer shall maintain records of and, whenever necessary, certify all proceedings of the board of directors and the shareholders. The chief executive officer shall have such other duties as may, from time to time, be prescribed by the board of directors. The powers and duties specified herein may be modified or limited at any time by the board of directors.

SECTION 4. PRESIDENT. The president, if one is elected, shall have such power and duties regarding the management and daily conduct of the business of the corporation as shall be determined by the board of directors, and, unless otherwise provided by the board of directors, such power and duties of the chief executive officer as may be delegated to the president by the chief executive officer. Unless otherwise provided by the board of directors, in the absence of the chairman of the board of directors (or if one is not elected) and the chief executive officer, the president shall preside at all meetings of the shareholders and directors. In the absence of the chief executive officer, the president shall succeed to the chief executive officer's powers and duties unless otherwise directed by the chief executive officer or the board of directors.

SECTION 5. CHIEF FINANCIAL OFFICER. The chief financial officer shall (i) keep accurate financial records for the corporation; (ii) deposit all moneys, drafts and checks in the name of, and to the credit of, the corporation in such banks and depositories as the board of directors shall, from time to time, designate or otherwise authorize; (iii) have the power to endorse, for deposit, all notes,

checks and drafts received by the corporation; (iv) disburse the funds of the corporation, making or causing to be made proper vouchers therefor; (v) render to the chief executive officer and the board of directors, whenever requested, an account of all of his or her transactions as chief financial officer and of the financial condition of the corporation, and (vi) perform such other duties as may, from time to time, be prescribed by the board of directors or by the chief executive officer. The powers and duties specified herein may be modified or limited at any time by the board of directors.

SECTION 6. VICE PRESIDENTS. Each vice president shall have such powers and duties as may be prescribed by the board of directors and, unless otherwise provided by the board of directors, such power and duties of the chief executive officer or president as

may be delegated from time to time to each vice president by the chief executive officer or president, as the case may be. In the event of the absence of the president, the vice presidents shall succeed to the duties and powers of such office in the order in which they are elected, as appears from the minutes of the meeting or meetings at which such elections shall have taken place, unless otherwise provided by the board of directors, chief executive officer or president.

SECTION 7. SECRETARY. The secretary, if one shall be elected by the board of directors, shall be secretary of and shall attend all meetings of the shareholders and board of directors. The secretary shall act as clerk thereof and shall record all proceedings of such meetings in the minute book of the corporation and, whenever necessary, certify all proceedings of the board of directors and the shareholders. The secretary shall give proper notices of meetings of shareholders and directors. The secretary shall, with the chairman of the board of directors, president or any vice president, sign or cause to be signed by facsimile signature all certificates for shares of the corporation and shall have such other powers and shall perform such other duties as may be prescribed from time to time by the board of directors.

SECTION 8. TREASURER. The treasurer, if one shall be elected by the board of directors, shall have such powers and duties as may be prescribed by the board of directors and, unless otherwise provided by the board of directors, such power and duties of the chief financial officer as may be delegated from time to time to the treasurer by the chief financial officer. In the absence of the chief financial officer, the treasurer shall succeed to the duties and powers of the chief financial officer unless otherwise directed by the board of directors, chief executive officer or chief financial officer.

SECTION 9. ASSISTANT SECRETARY AND ASSISTANT TREASURER. Any assistant secretary or assistant treasurer, who may from time to time be elected by the board of directors, may perform the duties of the secretary or of the treasurer, as the case may be, under the supervision and subject to the control of the secretary or of the treasurer, respectively. Unless otherwise provided by the board of directors, the chief executive officer or the secretary, in the event of the absence of the secretary, an assistant secretary shall have the powers and perform the duties of the office of secretary. If there shall be more than one assistant secretary, the assistant secretary appearing as first elected in the minutes of the meeting at which such elections shall have taken place shall exercise such powers and have such duties. Unless otherwise provided by the board of directors, the chief executive officer or the treasurer, in the event of the absence of the treasurer, an assistant treasurer shall have the powers and perform the duties of the office of treasurer. If there shall be more than one assistant treasurer, the assistant treasurer appearing as first elected in the minutes of the meeting or meetings at which such elections shall have taken place, shall exercise such powers and have such duties. Each assistant secretary and each assistant treasurer shall also have such powers and duties of the secretary or the treasurer as the secretary or the treasurer respectively may delegate to such assistant and shall also have such other powers and

perform such other duties as may be prescribed from time to time by the board of directors.

SECTION 10. VACANCY. If there shall occur a vacancy in the office of chief executive officer or chief financial officer, such vacancy shall be filled by the board of directors as expeditiously as practicable. If there shall occur a vacancy in the position of chairman of the board of directors or, subject to the foregoing, in any other office of the corporation by reason of death, resignation, or otherwise, such vacancy may, but need not, be filled by the board of directors.

SECTION 11. REMOVAL, REPLACEMENT AND REASSIGNMENT. The board of directors may at any time and for any reason, with or without cause (i) remove or replace the chairman of the board of directors, whether or not such action results in a vacancy in such chairmanship, provided that such action shall in no event terminate the directorship of such person unless such action is effective in accordance with the MBCA to remove such person as a director; (ii) remove,

replace or reassign the incumbent chief executive officer or chief financial officer, provided that if such action results in a vacancy in such office, the board of directors shall act to fill that vacancy as provided in Section 10 hereof; (iii) remove, replace or reassign the incumbent in any other office of the corporation whether or not such action results in a vacancy in any such office; and (iv) reduce, add to, reassign or otherwise change the powers and duties specifically conferred upon any officer of the corporation by these bylaws or by any action of the board of directors, or any officer acting by authority conferred by these bylaws or action of the board of directors or otherwise. Any officer of the corporation to whom such authority shall have been delegated by the board of directors and, unless otherwise provided by the board of directors, the chief executive officer, may at any time and for any reason, with or without cause, remove, replace or reassign the incumbent in any office of the corporation other than the chairman of the board of directors, the chief executive officer, the president and the chief financial officer.

## ARTICLE V

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. INDEMNIFICATION. The corporation shall indemnify all officers and directors of the corporation for such expenses and liabilities, in such manner, under such circumstances and to the fullest extent permitted by the MBCA. Unless otherwise approved by the board of directors, the corporation shall not indemnify any officer or director of the corporation who is not otherwise entitled to indemnification pursuant to the prior sentence of this Section.

## ARTICLE VI

## AMENDMENT OF BYLAWS

SECTION 1. AMENDMENTS. Except as otherwise provided by the MBCA, these bylaws may be amended in whole or in part by a vote of a two thirds majority of all of the directors. Such authority of the board of directors is subject to the power of the shareholders, exercisable in the manner provided in the MBCA, to adopt, amend, or repeal bylaws adopted, amended, or repealed by the board of directors.

Exhibit 4.3

CONFORMED COPY

AMENDED AND RESTATED

CREDIT AGREEMENT

DATED AS OF JULY 8, 1997

AMONG

DELUXE CORPORATION,

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,

AS AGENT,

AND

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

ARRANGED BY

BANCAMERICA SECURITIES, INC.

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AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT is entered into as of July 8, 1997, among Deluxe Corporation, a Minnesota corporation (the "Company"), the several financial institutions from time to time party to this Agreement (collectively, the "Banks"; individually, a "Bank"), and Bank of America National Trust and Savings Association, as agent for the Banks.

WHEREAS, the Company, the Banks and the Agent are parties to that certain Credit Agreement dated as of December 2, 1994 (the "Existing Agreement");

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

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree that the Existing Agreement shall, effective as of the Closing Date, be amended and restated in its entirety as follows:

## ARTICLE I
## DEFINITIONS

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

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

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

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

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

(other than a Person that is a Subsidiary) provided that the Company or a Subsidiary is the surviving entity.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

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

"Agent-Related Persons" means BofA in its capacity as agent and any successor agent arising under Section 9.09, together with their respective Affiliates (including, in the case of BofA, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

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

"Agreement" means this Credit Agreement.

"Applicable Margin" means

(i) with respect to Base Rate Committed Loans, 0%; and

(ii) with respect to Offshore Rate Committed Loans,

(A) 0.115% if Level I Status exists on any day,

(B) 0.135% if Level II Status exists on any day,

(C) 0.150% if Level III Status exists on any day,

(D) 0.200% if Level IV Status exists on any day,

(E) 0.275% if Level V Status exists on any day, and

(F) 0.425% if Level VI Status exists on any day.

"Arranger" means BancAmerica Securities, Inc., a Delaware corporation.

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

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

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

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

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

"Base Rate" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by BofA in San Francisco, California, as its "reference rate." The "reference rate" is a rate set by BofA based upon various factors including BofA's costs and desired

return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the reference rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

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

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

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

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

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

"BofA" means Bank of America National Trust and Savings Association, a national banking association.

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

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

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

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Closing Date" means the date on which all conditions precedent set forth in Section 4.01 are satisfied or waived by

all Banks (or, in the case of subsection 4.01(e), waived by the Person entitled to receive such payment).

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

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

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

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

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

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

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

"Contingent Obligation" means, as applied to any Person, any material direct or indirect liability of that Person with respect to any Indebtedness, lease, dividend, Surety Instrument or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person, whether or not contingent, (a) to purchase, repurchase or otherwise acquire such primary obligations or any property constituting direct or indirect security therefor, or (b) to advance or provide funds (i) for the payment or discharge of any such primary obligation, or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, or (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof; in each case (a), (b), (c) or (d), including arrangements wherein the rights and remedies of the holder of the primary obligation are limited to repossession or sale of certain property of such Person. The amount of any Contingent

Obligation shall be deemed equal to the lesser of (x) the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, or (y) any limitation of such Contingent Obligation contained in the instrument or agreement creating such Contingent Obligation.

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

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

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

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

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $500,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least $500,000,000, provided that such bank is acting through a branch or agency located in the United States; or (iii) a Person that is primarily engaged in the business of commercial banking and that is (A) a Subsidiary of a Bank, (B) a Subsidiary of a Person of which a Bank is a Subsidiary, or (C) a Person of which a Bank is a Subsidiary; provided that any such bank or Person shall also have senior unsecured long-term debt ratings which are rated at least A- (or the equivalent) as publicly announced by S&P or A3 (or the equivalent) as publicly announced by Moody's.

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

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

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

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

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

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

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

"Existing Agreement" has the meaning specified in the introductory clause hereto.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"Fee Letter" has the meaning specified in subsection 2.12(a).

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

"Funded Debt" means as of the date of any determination all outstanding Indebtedness of the Company and its

consolidated Subsidiaries which matures more than one (1) year after the incurrence thereof or is extendable, renewable or refundable, at the option of the obligor, to a date more than one (1) year after the incurrence thereof.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession).

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

"Indebtedness" of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms);

(c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all recourse indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person; and (f) all obligations with respect to capital leases; provided, however, that the term "Indebtedness" shall not include non-recourse obligations or indebtedness of any kind; and provided further, however, that the term "Indebtedness" shall not include any such obligations or indebtedness owing by the Company or any Subsidiary to the Company or any Subsidiary.

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

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

"Insolvency Proceeding" means with respect to a Person (a) any case, action or proceeding before any court or other

Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other,

similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

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

"Interest Period" means, (a) as to any Offshore Rate Committed Loan, the period commencing on the Business Day such

Loan is disbursed, or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Committed Loan, and ending on the date one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation, as the case may be; (b) as to any LIBOR Bid Loan, the period commencing on the Business Day such Loan is disbursed and ending on the date one, two, three, six, nine or twelve months thereafter as selected by the Company in the applicable Competitive Bid Request and agreed to by the applicable Bid Loan Lender(s); and (c) as to any Absolute Rate Bid Loan, a period of not less than 7 days and not more than 365 days as selected by the Company in the applicable Competitive Bid Request and agreed to by the applicable Bid Loan Lender(s);

provided that:

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

(ii) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

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

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

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

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

"Knowledge" means the actual knowledge of the Company's Responsible Officer.

"Level I Status" exists at any date if, at such date the Company's senior unsecured long-term debt ratings are rated either AA- or higher (or the equivalent) as publicly announced by S&P or Aa3 or higher (or the equivalent) as publicly announced by Moody's.

"Level II Status" exists at any date if, at such date (i) the Company's senior unsecured long-term debt ratings are rated either A+ (or the equivalent) as publicly announced by S&P or A1 (or the

equivalent) as publicly announced by Moody's and (ii) Level I Status does not exist.

"Level III Status" exists at any date if, at such date (i) the Company's senior unsecured long-term debt ratings are rated either A- or higher (or the equivalent) as publicly announced by S&P or A3 or higher (or the equivalent) as publicly announced by Moody's and (ii) Level I Status and Level II Status do not exist.

"Level IV Status" exists at any date if, at such date (i) the Company's senior unsecured long-term debt ratings are rated either BBB or higher (or the equivalent) as publicly announced by S&P or Baa2 or higher (or the equivalent) as

publicly announced by Moody's and (ii) Level I Status, Level II Status and Level III Status do not exist.

"Level V Status" exists at any date if, at such date (i) the Company's senior unsecured long-term debt ratings are rated either BBB- (or the equivalent) as publicly announced by S&P or Baa3 (or the equivalent) as publicly announced by Moody's and (ii) Level I Status, Level II Status, Level III Status and Level IV Status do not exist.

"Level VI Status" exists at any date if, at such date (i) the Company's senior unsecured long-term debt ratings are both rated lower than BBB- (or the equivalent) as publicly announced by S&P and lower than Baa3 (or the equivalent) as publicly announced by Moody's, or (ii) the Company's senior unsecured long-term debt is unrated by both S&P and Moody's.

"LIBO Rate" means, for any Interest Period with respect to a LIBOR Bid Loan or Offshore Rate Committed Loan the average of the per annum LIBO rates displayed on the Reuters Screen LIBO Page for the relevant Interest Period, on the day which is two Business Days prior to the first day of the proposed Interest Period; provided that in the event the Reuters Screen LIBO Page is not available on any day, then "LIBO Rate" shall mean the rate of interest per annum determined by the Agent to be the arithmetic mean (rounded

upward to the nearest 1/16th of 1%) of the rates of interest per annum notified to the Agent by each Reference Bank as the rate of interest at which dollar deposits in the approximate amount of, in the case of LIBOR Bid Loans, the LIBOR Bid Loans to be borrowed in such Bid Loan Borrowing, and, in the case of Offshore Rate Committed Loans, the Offshore Rate Committed Loan to be made, continued or converted, and having a maturity comparable to such Interest Period, would be offered by such Reference Bank to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

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

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

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

"Lien" means any security interest, mortgage, deed of trust, pledge, hypothecation, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential

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

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

"Loan Documents" means this Agreement, any Notes, the Fee Letter and all other documents delivered to the Agent or any Bank in connection herewith.

"Majority Banks" means (a) at any time prior to the Revolving Termination Date, Banks then holding at least 51% of the Commitments, and (b) otherwise, Banks then holding at least 51% of the then aggregate unpaid principal amount of the Loans.

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

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

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

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

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

"Notes" means the Bid Loan Notes.

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

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

"Obligations" means all advances, debts, liabilities, obligations, covenants and duties arising under this Agreement and the Notes, owing by the Company to any Bank, the Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

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

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

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

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

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

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

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company sponsors,

maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

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

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

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

"Pro Rata Share" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's Commitment divided by the combined Commitments of all Banks.

"Reference Banks" means BofA, The Bank of New York and Wachovia Bank, N.A.

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

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

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

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

"Reuters Screen LIBO Page" means the display designated as "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO Page on that service for the purpose of displaying London interbank offered quotations of major banks).

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

(a) July 7, 2002; and

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

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Subsidiary" of a Person means any corporation, association, partnership, joint venture or other business entity of which more than 60% of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the

Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

"Surety Instruments" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Taxes" means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, such taxes (including income taxes or franchise taxes) as are imposed

on or measured by each Bank's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Agent, as the case may be, is organized or maintains a lending office; provided, however, that "Taxes" shall be limited to taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, which are imposed by U.S. Governmental Authorities unless the Company makes any payments hereunder with funds derived from sources outside the United States.

"Total Capitalization" means, as of any date of determination, the sum of (i) Funded Debt, and (ii) the sum of

the amounts set forth on the consolidated balance sheet of the Company and its consolidated Subsidiaries as shareholders' equity as determined in accordance with GAAP.

"Type" has the meaning specified in the definition of "Committed Loan."

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Wholly-Owned Subsidiary" means any corporation in which (other than directors' qualifying shares or similar nominal shares required by law) 100% of the capital stock of each class having ordinary voting power, and 100% of the capital stock of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Company, or by one or more of the other Wholly-Owned Subsidiaries, or both.

1.02 Other Interpretive Provisions.

(a) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. Terms (including uncapitalized terms) not otherwise defined herein and that are defined in the UCC shall have the meanings therein described.

(b) The Agreement. The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, section, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) Certain Common Terms.

(i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(d) Performance; Time. Whenever any performance obligation hereunder shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including." If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all reasonable means, direct or indirect, of taking, or not taking, such action.

(e) Contracts. Unless otherwise expressly provided herein, references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications

are not prohibited by the terms of any Loan Document.

(f) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory

provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(g) Captions. The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(h) Independence of Provisions. The parties acknowledge that this Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters, and that such limitations, tests and measurements are cumulative and must each be performed, except as expressly stated to the contrary in this Agreement.

1.03 Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

## THE CREDITS

2.01 The Revolving Credit. Each Bank severally agrees, on the terms and conditions set forth herein, to make Committed Loans to the Company from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date, in an aggregate amount not to exceed at any time outstanding the amount set forth on Schedule 2.01 (such amount as the same may be increased under Section 2.09 or reduced under Section 2.07 or changed as a result of one or more assignments under Section 10.08, the Bank's "Commitment"); provided, however, that, the aggregate principal amount of all outstanding Committed Loans, together with the aggregate principal amount of all Bid Loans outstanding, shall not at any time exceed the combined Commitments. Within the limits of each Bank's Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.01, prepay under Section 2.08 and reborrow under this Section 2.01.

2.02 Loan Accounts; Bid Loan Notes.

(a) The Committed Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank in the ordinary course of business. The loan accounts or records maintained by the Agent and each Bank shall be prima facie evidence of the amount of the Loans made

by the Banks to the Company and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans.

(b) The Bid Loans made by any Bank shall be evidenced by a promissory note executed by the Company (a "Bid Loan Note") (each such Note to be substantially in the form of Exhibit G). Each Bank shall endorse on the schedule annexed to its Note the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each such Bank is irrevocably authorized by the Company to endorse its Note and each Bank's record shall be prima facie evidence of the amount of each such Loan; provided, however, that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Bank.

2.03 Procedure for Committed Borrowing.

(a) Each Committed Borrowing shall be made upon the Company's irrevocable written notice delivered to the Agent in the form of a Notice of Borrowing (which notice must be received by the Agent (i) prior to 9:00 a.m. (San Francisco

time) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Committed Loans; and (ii) prior to 9:30 a.m. (San Francisco time) on the requested Borrowing Date, in the case of Base Rate Committed Loans, specifying:

(A) the amount of the Committed Borrowing, which shall be in an aggregate minimum amount of $5,000,000 or any multiple of $1,000,000 in excess thereof;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Committed Loans comprising the Committed Borrowing; and

(D) if the Committed Loans consist of Offshore Rate Committed Loans, the duration of the Interest Period applicable to such Committed Loans included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Committed Borrowing comprised of Offshore Rate Committed Loans, such Interest Period shall be one month.

(b) The Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of that Committed Borrowing.

(c) Each Bank will make the amount of its Pro Rata Share of each Committed Borrowing available to the Agent for the account of the Company at the Agent's Payment Office by 11:00 a.m. (San Francisco time) on the Borrowing Date requested by the Company in funds immediately available to the Agent. Any such amount which is received later than 11:00 a.m. (San Francisco time) shall be deemed to have been received on the immediately succeeding Business Day. The proceeds of all such Committed Loans will then be made available to the Company by the Agent by wire transfer in accordance with written instructions provided to the Agent by the Company of like funds as received by the Agent.

(d) After giving effect to any Committed Borrowing, there may not be more than eight (8) different Interest Periods in effect in respect of all Committed Loans and Bid Loans together then outstanding.

2.04 Conversion and Continuation Elections for Committed Borrowings.

(a) The Company may, upon irrevocable written notice to the Agent in accordance with subsection 2.04(b):

(i) elect, as of any Business Day, in the case of Base Rate Committed Loans, or as of the last day of the applicable Interest Period, in the case of Offshore Rate Committed Loans, to convert any such Committed Borrowings (or any part thereof in an amount not less than $5,000,000, or that is in an integral multiple of $1,000,000 in excess thereof) into Committed Borrowings of the other Type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Committed Borrowings having Interest Periods expiring on such day (or any part thereof in an amount not less than $5,000,000, or that is in an integral multiple of $1,000,000 in excess thereof);

provided, that if at any time the aggregate amount of Offshore Rate Committed Loans in respect of any Committed Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than $1,000,000, such Offshore Rate Committed Loans shall automatically convert into Base Rate Committed Loans,

and on and after such date the right of the Company to continue such Committed Loans as, and convert such Committed Loans into, Offshore Rate Committed Loans shall terminate.

(b) The Company shall deliver a Notice of Conversion/ Continuation to be received by the Agent not later than (i) 9:00 a.m. (San Francisco time) at least three Business Days in advance of the Conversion/Continuation Date, if the Committed Borrowings are to be

converted into or continued as Offshore Rate Committed Loans; and (ii) 9:30 a.m. (San Francisco time) on the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Committed Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate amount of Committed Loans to be converted or continued;

(C) the Type of Committed Loans resulting from the proposed conversion or continuation; and

(D) other than in the case of conversions into Base Rate Committed Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Committed Loans, the Company has failed to select timely a new Interest Period to be applicable to such Loans in accordance with Section 2.04(b), or if any Event of Default then exists, the Company shall be deemed to have elected to convert such Offshore Rate Committed Loans into Base Rate Committed Loans effective as of the expiration date of such Interest Period.

(d) The Agent will promptly notify each Bank of its receipt of a Notice of Conversion/ Continuation, or, if no timely notice is provided by the Company, the Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Committed Loans with respect to which the notice was given held by each Bank.

(e) Unless the Majority Banks otherwise agree, during the existence of an Event of Default, the Company may not elect to have a Committed Loan made as, converted into or continued as, an Offshore Rate Committed Loan.

(f) After giving effect to any conversion or continuation of Committed Loans, there may not be more than

eight (8) different Interest Periods in effect in respect of all Committed Loans and Bid Loans together then outstanding.

2.05 Bid Borrowings. In addition to Committed Borrowings, each Bank severally agrees that the Company may, as set forth in Section 2.06, from time to time request the Banks prior to the Revolving Termination Date to submit offers to make Bid Loans to the Company; provided, however, that the Banks may, but shall have no obligation to, submit such offers and the Company may, but shall have no obligation to, accept any such offers; and provided, further, that at no time shall (a) the outstanding aggregate principal amount of all Bid Loans made by all Banks, plus the outstanding aggregate principal amount of all Committed Loans made by all Banks exceed the combined Commitments; or (b) the number of Interest Periods for Bid Loans then outstanding plus the number of Interest Periods for Committed Loans then outstanding exceed eight (8).

2.06 Procedure for Bid Borrowings. The Company may, as set forth in this Section, request the Agent to, or itself may, solicit offers from all the Banks to make Bid Loans.

(a) When the Company wishes to request the Banks to submit offers to make Bid Loans hereunder and have the Agent solicit such offers, it shall transmit to the Agent by telephone call followed promptly by facsimile transmission a

notice in substantially the form of Exhibit E (a "Competitive Bid Request") so as to be received no later than 8:30 a.m. (San Francisco time) (x) four Business Days prior to the date of a proposed Bid Borrowing in the case of a LIBOR Auction, or (y) one Business Day prior to the date of a proposed Bid Borrowing in the case of an Absolute Rate Auction, specifying:

(i) the date of such Bid Borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Bid Borrowing, which shall be a minimum amount of $5,000,000 or in multiples of $1,000,000 in excess thereof;

(iii) whether the Competitive Bids requested are to be for LIBOR Bid Loans or Absolute Rate Bid Loans or both; and

(iv) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of "Interest Period" herein.

Subject to subsection 2.06(c), the Company may not itself request (and may not request the Agent to solicit offers for) Competitive Bids for more than three Interest Periods in a

single Competitive Bid Request and may not request Competitive Bids more than once in any period of five Business Days.

(b) Upon receipt of a Competitive Bid Request, the Agent will promptly send to the Banks by facsimile transmission an Invitation for Competitive Bids, which shall constitute an invitation by the Company to each Bank to submit Competitive Bids offering to make the Bid Loans to which such Competitive Bid Request relates in accordance with this Section 2.06. If the Company itself is soliciting offers to make Competitive Bids, the Company shall send to the Banks (with a copy to the Agent) by facsimile transmission an Invitation for Competitive Bids, so as to be received by each Bank no later than the times specified in Section 2.06(a) for transmission of a Competitive Bid Request from the Company to the Agent.

(c) (i) Each Bank may at its discretion submit a Competitive Bid containing an offer or offers to make Bid Loans in response to any Invitation for Competitive Bids. Each Competitive Bid must comply with the requirements of this subsection 2.06(c) and must be submitted to the Agent or the Company, as the case may be, by facsimile transmission at its offices specified in or pursuant to Section 10.02 not later than (1) 6:30 a.m. (San Francisco time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (2) 6:30 a.m. (San Francisco time) on the

proposed date of Borrowing, in the case of an Absolute Rate Auction; provided that in any instance where the Agent has received a Competitive Bid Request, Competitive Bids submitted by BofA (or any Affiliate of BofA) may only be submitted if BofA or such Affiliate notifies the Company of the terms of the offer or offers contained therein not later than (A) 6:15 a.m. (San Francisco time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (B) 6:15 a.m. (San Francisco time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction. In the case where the Company itself has solicited offers for Competitive Bids, the Company shall promptly send to the Agent, by facsimile transmission, a copy of each Competitive Bid received by it (including any that are to be disregarded pursuant to Section 2.06(c)(iii)).

(ii) Each Competitive Bid shall be in substantially the form of Exhibit F, specifying therein:

(A) the proposed date of Borrowing;

(B) the principal amount of each Bid Loan for which such Competitive Bid is being made, which principal amount (x) may be equal to, greater than or less than the Commitment of the quoting Bank, (y) must be $5,000,000 or in multiples of

$1,000,000 in excess thereof, and (z) may not exceed the principal amount of Bid Loans for which Competitive Bids were requested;

(C) in case the Company elects a LIBOR Auction, the margin above or below the LIBO Rate (the "LIBOR Bid Margin") offered for each such Bid Loan, expressed in multiples of 1/1000th of one basis point to be added to or subtracted from the applicable LIBO Rate and the Interest Period applicable thereto;

(D) in case the Company elects an Absolute Rate Auction, the rate of interest per annum expressed in multiples of 1/1000th of one basis point (the "Absolute Rate") offered for each such Bid Loan and the Interest Period applicable thereto; and

(E) the identity of the quoting Bank.

A Competitive Bid may contain up to three separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Competitive Bids.

(iii) Any Competitive Bid shall be disregarded if it:

(A) is not substantially in conformity with Exhibit F or does not specify all of the information required by subsection (c)(ii) of this Section;

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bids; or

(D) arrives after the time set forth in subsection (c)(i).

(d) In any instance where the Agent has sent Competitive Bid Requests, promptly on receipt and not later than 7:00 a.m. (San Francisco time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction, or 7:00 a.m. (San Francisco time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction, the Agent will notify the Company of the terms (i) of any Competitive Bid submitted by a Bank that is in accordance with subsection 2.06(c), and (ii) of any Competitive Bid that amends, modifies or is otherwise inconsistent with a previous Competitive Bid submitted by such Bank with respect to the same Competitive

Bid Request. Any such subsequent Competitive Bid shall be disregarded by the Agent unless such subsequent Competitive Bid is submitted solely to correct a manifest error in such former Competitive Bid and only if received within the times set forth in subsection 2.06(c). The Agent's notice to the Company shall specify (1) the aggregate principal amount of Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Request; (2) the respective principal amounts and LIBOR Bid Margins or Absolute Rates, as the case may be, so offered; and (3) any other information regarding such Competitive Bid reasonably requested by the Company. Subject only to the provisions of Sections 3.02, 3.05 and 4.02 hereof and the provisions of this subsection (d), any Competitive Bid shall be irrevocable except with the written consent of, where the Agent has solicited offers to make Bid Loans, the Agent given on the written instructions of the Company or, otherwise, the Company.

(e) Not later than 7:45 a.m. (San Francisco time) three Business Days prior to the proposed date of Borrowing, in the case of a LIBOR Auction, or 7:45 a.m. (San Francisco time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction, the Company (whether or not it has directly solicited offers to make Competitive Bids) shall notify the Agent, in writing and in a form reasonably acceptable to the

Agent, of its acceptance or non-acceptance of the offers received by it pursuant to subsection 2.06(c) or notified to it pursuant to subsection 2.06(d). The Company shall be under no obligation to accept any offer and may choose to accept or reject some or all offers. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that is accepted. The Company may accept any Competitive Bid in whole or in part; provided that:

(i) the aggregate principal amount of each Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Request or, if the Company solicited the related offers, the related Invitation for Competitive Bids;

(ii) the principal amount of each Bid Borrowing must be $5,000,000 or in any multiple of $1,000,000 in excess thereof;

(iii) acceptance of offers may only be made on the basis of ascending LIBOR Bid Margins or Absolute Rates within each Interest Period, as the case may be; and

(iv) the Company may not accept any offer that is described in subsection 2.06(c)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(f) If offers are made by two or more Banks with the same LIBOR Bid Margins or Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Bid Loans in respect of which such offers are accepted shall be allocated by the Agent or the Company, as the case may be, among such Banks (in such multiples, not less than $1,000,000, as the Agent or the Company, as the case may be, may deem appropriate) as nearly as practicable in proportion to the aggregate principal amounts of such offers. Determination by the Agent or the Company, as the case may be, of the amounts of Bid Loans shall be conclusive in the absence of manifest error.

(g) (i) The Agent will promptly notify each Bank having submitted a Competitive Bid if its offer has been accepted and, if its offer has been accepted, of the amount of the Bid Loan or Bid Loans to be made by it on the date of the Bid Borrowing.

(ii) Each Bank, which has received notice pursuant to subsection 2.06(g)(i) that its Competitive Bid has been accepted, shall make the amounts of such Bid Loans available to the Agent for the account of the Company at the Agent's Payment Office, by 11:00 a.m. (San Francisco time) in the case of Absolute Rate Bid Loans, and by

11:00 a.m. (San Francisco time) in the case of LIBOR Bid Loans, on such date of Bid Borrowing, in funds immediately available to the Agent for the account of the Company at the Agent's Payment Office.

(iii) Promptly following each Bid Borrowing, the Agent shall notify each Bank of the ranges of bids submitted and the highest and lowest bids accepted for each Interest Period requested by the Company and the aggregate amount borrowed pursuant to such Bid Borrowing.

(iv) From time to time, the Company and the Banks shall furnish such information to the Agent as the Agent may request relating to the making of Bid Loans, including the amounts, interest rates, dates of borrowings and maturities thereof, for purposes of the allocation of amounts received from the Company for payment of all amounts owing hereunder.

(h) If, on or prior to the proposed date of Borrowing, the Commitments have not been terminated and if, on such proposed date of Borrowing all applicable conditions to funding referenced in Sections 3.02, 3.05 and 4.02 hereof are satisfied, the Bank or Banks whose offers the Company has accepted will fund each Bid Loan so accepted. Nothing in this Section 2.06 shall be construed as a right of first offer in

favor of the Banks or to otherwise limit the ability of the Company to request and accept credit facilities from any Person (including any of the Banks), provided that no Default or Event of Default would otherwise arise or exist as a result of the Company executing, delivering or performing under such credit facilities.

2.07 Voluntary Termination or Reduction of Commitments. The Company may, upon not less than three Business Days' prior notice to the Agent, terminate the Commitments, or permanently reduce the Commitments by an aggregate minimum amount of $5,000,000 or any multiple of $1,000,000 in excess thereof; unless, after giving effect thereto and to any payments or prepayments of Committed Loans made on the effective date thereof, the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments then in effect. The Agent shall promptly notify the Banks of any such termination or reduction. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to each Bank according to its Pro Rata Share. All accrued commitment fees to, but not including the effective date of any reduction or termination of Commitments, shall be paid on the effective date of such reduction or termination.

2.08 Optional Prepayments. (a) Subject to Section 3.04, the Company may, at any time or from time to time, upon not less than

three Business Days' irrevocable notice to the Agent, in the case of Offshore Rate Committed Loans, or upon not less than one Business Day's irrevocable notice to the Agent, in the case of Base Rate Committed Loans, ratably prepay such Loans in whole or in part, in minimum amounts of $5,000,000 or any multiple of $1,000,000 in excess thereof. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid. The Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 3.04; provided that if the Company shall fail to make any such payment on the date specified therein, such failure shall not constitute an Event of Default hereunder, and if the Committed Loan is a Base Rate Committed Loan such Loan shall continue as if such prepayment notice had not been given, and if the Committed Loan is an Offshore Rate Committed Loan such Loan shall be automatically converted to a Base Rate Committed Loan as of the date specified in such notice.

(b) Bid Loans may not be voluntarily prepaid.

2.09 Optional Increase in Commitments. At any time the Company may request the Banks by written notice to the Agent, to increase the aggregate Commitments, which notice shall be accompanied by the resolutions of the board of directors of the Company approving such increase and certified by the Secretary or an Assistant Secretary of the Company, provided that in no event shall the aggregate Commitments exceed $300,000,000 without the written consent of all the Banks. The Agent shall transmit such request to each Bank within one Business Day. Each Bank will have the option, in its sole discretion, to subscribe for its proportionate share of such requested increase, according to its then existing Pro Rata Share. The Banks shall respond in writing to the Company's request through the Agent within fifteen (15) Business Days by submitting a supplement in the form of Exhibit H. Any Bank not responding within fifteen (15) Business Days shall be deemed to have declined the request. At the option of the Company, any part of the increase not so subscribed may be assumed, within ten (10) Business Days of the Banks' response, by one or more existing Banks or assumed by other banks meeting the qualifications of an Eligible Assignee acceptable to the Agent and the Company, which consent of the Agent shall not be unreasonably withheld, upon submission of a supplement in the form of Exhibit I, in the case of an existing Bank, or Exhibit J, in the case of a new party to this Agreement, and Schedule 2.01 shall be amended accordingly. In order to maintain Committed Loans in accordance with each Bank's Pro Rata Share at all times, a reallocation of Commitments as a

result of a non-pro rata subscription to the increase in the Commitments may require a prepayment of Loans by the Company (subject, without limitation, to Section 3.04(d) hereof).

2.10 Repayment. The Company shall repay to the Banks on the Revolving Termination Date the aggregate principal amount of Loans outstanding on such date. The Company shall repay each Offshore Rate Committed Loan and each Bid Loan on the last day of the relevant Interest Period.

2.11 Interest.

(a) Each Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the LIBO Rate or the Base Rate, as the case may be (and subject to the Company's right to convert to other Types of Loans under Section 2.04), plus the Applicable Margin. Each Bid Loan shall bear interest on the outstanding principal amount thereof from the relevant Borrowing Date at a rate per annum equal to the LIBO Rate plus (or minus) the LIBOR Bid Margin, or at the Absolute Rate, as the case may be.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Committed Loans under Section

2.08 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof.

(c) Notwithstanding subsection (a) of this Section, after acceleration or the occurrence and continuation of an Event of Default under Section 8.01(a) or (c), or commencing five (5) days after the occurrence and continuation of any other Event of Default, the Company

shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Obligations, at a rate per annum which is determined by adding 2% per annum to the Applicable Margin then in effect for such Loans and, in the case of Obligations not subject to an Applicable Margin, at a rate per annum equal to the Base Rate plus 2%; provided, however, that, on and after the expiration of any Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, after the expiration of such Interest Period and during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 2%. Interest payable under this subsection 2.11(c) shall be payable on demand by the Majority Banks.

(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Bank hereunder shall be

subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Company shall pay such Bank interest at the highest rate permitted by applicable law.

2.12 Fees.

(a) Arrangement, Agency Fees. The Company shall pay an arrangement fee to the Arranger for the Arranger's own account, and shall pay agency (including bid agency) fees and other sums to the Agent for the Agent's own account, as required by the letter agreement ("Fee Letter") between the Company and the Arranger and Agent dated April 16, 1997.

(b) Facility Fees. The Company shall pay to the Agent for the account of each Bank a facility fee on the entire portion of such Bank's Commitment (whether utilized or unutilized), computed on a quarterly basis in arrears on the last Business Day of each calendar quarter, equal to (i) 0.060% per annum if Level I Status exists, (ii) 0.065% per annum if Level II Status exists, (iii) 0.075% per annum if

Level III Status exists, (iv) 0.100% per annum if Level IV Status exists, (v) 0.175% per annum if Level V Status exists, and (vi) 0.200% per annum if Level VI Status exists. Such facility fee shall accrue from the Closing Date to the Revolving Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter commencing on September 30, 1997 through the Revolving Termination Date, with the final payment to be made on the Revolving Termination Date; provided that, in connection with any reduction or termination of Commitments under Section 2.07, the accrued facility fee calculated for the period ending on such date shall also be paid on the date of such reduction or termination, with the following quarterly payment being calculated on the basis of the period from such reduction or termination date to such quarterly payment date. The facility fees provided in this subsection shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article IV are not met.

2.13 Computation of Fees and Interest.

(a) All computations of facility fees under Section 2.12 (b) and interest for Base Rate Committed Loans when the Base Rate is determined by BofA's "reference rate" shall be made on the basis of a year of 365 or 366 days, as the case may be,

and actual days elapsed. All other computations of interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Agent shall be conclusive and binding on the Company and the Banks in the absence of manifest error. The Agent will, at the request of the Company or any Bank, deliver to the Company or the Bank, as the case may be, a statement showing the quotations used by the Agent in determining any

interest rate.

(c) If any Reference Bank's Commitment terminates (other than on termination of all the Commitments), or for any reason whatsoever the Reference Bank ceases to be a Bank hereunder, that Reference Bank shall thereupon cease to be a Reference Bank. In such event, the Company shall promptly designate a replacement Reference Bank from among the Banks with the consent of the Agent (which consent shall not be unreasonably withheld).

(d) Each Reference Bank shall use its best efforts to furnish quotations of rates to the Agent as contemplated

hereby. If any of the Reference Banks fails to supply such rates to the Agent upon its request, the rate of interest shall be determined on the basis of the quotations of the remaining Reference Bank(s).

(e) The Agent will, with reasonable promptness, notify the Company and the Banks of each determination of the LIBO Rate; provided that any failure to do so shall not relieve the Company of any liability hereunder or provide the basis for any Event of Default or any claim against the Agent. Any change in the interest rate payable on the Offshore Rate Committed Loans or in the facility fees payable under Section 2.12(b) resulting from a change in the Company's senior unsecured long-term debt ratings shall become effective and shall apply to any such Loans then outstanding or to such fees as of the opening of business on the day on which such change in the Company's debt ratings becomes effective. The Agent will with reasonable promptness notify the Company and the Banks of the effective date and the amount of each such change, provided that any failure to do so shall not relieve the Company of any liability hereunder or provide the basis for any Event of Default or any claim against the Agent.

2.14 Payments by the Company.

(a) All payments to be made by the Company shall be made without set-off, recoupment or counterclaim. Except as

otherwise expressly provided herein, all payments by the Company shall be made to the Agent for the account of the Banks at the Agent's Payment Office, and shall be made in dollars and in immediately available funds, no later than 12:00 noon (San Francisco time) on the date specified herein. The Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Agent later than 12:00 noon (San Francisco time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent receives notice from the Company prior to the date on which any payment is due to the Banks that the Company will not make such payment in full as and when required, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so

required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company has not made such payment in full to the Agent, each Bank shall repay to the Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.15 Payments by the Banks to the Agent.

(a) Unless the Agent receives notice from a Bank on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, prior to 11:00 a.m. (San Francisco time) on the date of such Borrowing, that such Bank will not make available as and when required hereunder to the Agent for the account of the Company the amount of that Bank's Loan comprising a Borrowing, the Agent may assume that each Bank has made such amount available to the Agent in immediately

available funds on the Borrowing Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Bank shall on the Business

Day following such Borrowing Date make such amount available to the Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Agent submitted to any Bank with respect to amounts owing under this subsection (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Borrowing Date, the Agent will notify the Company of such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Bank to make any Committed Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Committed Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Committed Loan to be made by such other Bank on any Borrowing Date.

2.16 Sharing of Payments, Etc. If, other than as expressly provided in Section 3.08 or 10.08 hereof, any Bank shall obtain on

account of the Committed Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share, such Bank shall immediately (a) notify the Agent of such fact, and (b) purchase from the other Banks such participations in the Committed Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 10.09) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments. Any Bank having outstanding both

Committed Loans and Bid Loans at any time a right of set-off is exercised by such Bank shall apply the proceeds of such set-off first to such Bank's Committed Loans, until its Committed Loans are reduced to zero, and thereafter to its Bid Loans.

## ARTICLE III
## TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes. (a) Subject to subsection 3.01(f), any and all payments by the Company to each Bank or the Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Company shall pay all Other Taxes.

(b) Subject to subsection 3.01(f), the Company agrees to indemnify and hold harmless each Bank and the Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Bank or the Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Bank or the Agent makes written demand therefor. If the Company in good faith determines that any such Taxes or Other Taxes for which

indemnification has been sought hereunder are not due or owing or otherwise correctly assessed, the Bank or Agent at the request of the Company, or the Company at the election of the Bank or Agent following any such request, in either case at the expense of the Company, shall by appropriate means file for a refund or otherwise contest the payment of such Taxes or Other Taxes, provided that any such filing or contest does not result in any penalty, lien or other liability to the Bank or Agent for which the Company has not provided a satisfactory undertaking to indemnify and hold the Bank or Agent harmless. The Bank and the Agent agree to provide reasonable cooperation to the Company in connection with any such filing or contest, at the Company's expense and, if the Company has paid any such Tax or Other Tax or compensated the Bank or Agent with respect thereto, any refund thereof shall belong and be remitted to the Company.

(c) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, then, subject to subsection 3.01(f):

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section)

such Bank or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Company shall make such deductions and withholdings;

(iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Company shall also pay to each Bank or the Agent for the account of such Bank, at the time interest is paid, all additional amounts which the respective Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes or Other Taxes had not been imposed.

(d) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

(e) Each Bank which is a foreign person (i.e., a person other than a United States person for United States Federal income tax purposes) agrees that:

(i) it shall, no later than the Closing Date (or, in the case of a Bank which becomes a party hereto pursuant to Section 10.08 after the Closing Date, the date upon which the Bank becomes a party hereto) deliver to the Company through the Agent two accurate and complete signed originals of Internal Revenue Service Form 4224 or any successor thereto ("Form 4224"), or two accurate and complete signed originals of Internal Revenue Service Form 1001 or any successor thereto ("Form 1001"), as appropriate, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(ii) if at any time the Bank makes any changes necessitating a new Form 4224 or Form 1001, it shall with reasonable promptness deliver to the Company through the Agent in replacement for, or in addition to, the forms previously delivered by it hereunder, two accurate and complete signed originals of Form 4224; or two accurate and complete signed originals of Form 1001, as

appropriate, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of

principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(iii) it shall, before or promptly after the occurrence of any event (including the passing of time but excluding any event mentioned in (ii) above) requiring a change in or renewal of the most recent Form 4224 or Form 1001 previously delivered by such Bank, deliver to the Company through the Agent two accurate and complete original signed copies of Form 4224 or Form 1001 in replacement for the forms previously delivered by the Bank; and

(iv) it shall, promptly upon the Company's or the Agent's reasonable request to that effect, deliver to the Company or the Agent (as the case may be) such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Bank's tax status for withholding purposes.

(f) The Company will not be required to indemnify, hold harmless or pay any additional amounts in respect of United States Federal income tax pursuant to subsection 3.01(c) to any Bank for the account of any Lending Office of such Bank:

(i) if the obligation to indemnify, hold harmless or pay such additional amounts would not have arisen but for a failure by such Bank to comply with its obligations (if any) under subsection 3.01(e) in respect of such Lending Office;

(ii) if such Bank shall have delivered to the Company a Form 4224 in respect of such Lending Office pursuant to subsection 3.01(e), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or in the official interpretation of such law or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 4224; or

(iii) if the Bank shall have delivered to the Company a Form 1001 in respect of such Lending Office pursuant to subsection 3.01(e), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 1001.

(g) If the Company is required to pay additional amounts to any Bank or the Agent pursuant to subsection (c) of this Section, then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue, if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

(h) Each Bank agrees to promptly notify the Company of the first written assessment of any Taxes payable by the Company hereunder which is received by such Bank, provided that failure to give such notice shall not in any way prejudice the Bank's rights under Section 3.01 hereof. The Company shall not be obligated to pay any Taxes under Section 3.01 which are assessed against any Bank if the statute of limitations applicable thereto (as same may be extended from time to time by agreement between such Bank and the relevant Governmental Authority) has lapsed. Additionally, the Company shall not be obligated to pay any penalties, interest, additions to tax or expenses with respect to any final assessment of Taxes against any Bank (i) unless such Bank shall have first notified the Company in writing of such

final assessment, and (ii) which are attributable to periods exceeding 90 days prior to the date of receipt by the Company of such notice.

3.02 Illegality.

(a) If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or any central bank or other Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by the Bank to the Company through the Agent, any obligation of that Bank to make additional Offshore Rate Loans (including in respect of any LIBOR Bid Loan as to which the Company has accepted such Bank's Competitive Bid, but as to which the Borrowing Date has not arrived) shall be suspended until the Bank notifies the Agent and the Company that the circumstances giving rise to such determination no longer exist.

(b) If a Bank determines that it is unlawful to maintain any Offshore Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Bank (with a copy to the Agent), prepay in full such Offshore Rate Loans of that Bank then outstanding, together with interest accrued thereon and amounts required under Section 3.04, either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Bank may not lawfully continue to maintain such Offshore Rate Loan. If the Company is required to so prepay any Offshore Rate Committed Loan, then concurrently with such prepayment, the Company shall borrow from the affected Bank, and the affected Bank shall lend to the Company, in the amount of such repayment, a Base Rate Committed Loan.

(c) If the obligation of any Bank to make or maintain Offshore Rate Committed Loans has been so terminated or suspended, the Company may elect, by giving notice to the Bank through the Agent that all Loans which would otherwise be made by the Bank as Offshore Rate Committed Loans shall be instead Base Rate Committed Loans.

(d) Before giving any notice to the Agent under this Section, the affected Bank shall designate a different Lending Office with respect to its Offshore Rate Loans if such

designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank in such Bank's reasonable judgment.

3.03 Increased Costs and Reduction of Return.

(a) If any Bank determines that, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the Closing Date or (ii) the compliance by that Bank with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) after the Closing Date, there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Offshore Rate Loans, then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs.

(b) If any Bank shall have determined that (i) the introduction after the Closing Date of any Capital Adequacy Regulation , (ii) any change after the Closing Date in any Capital Adequacy Regulation, (iii) any change after the Closing Date in the interpretation or administration of any

Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) or any corporation controlling the Bank with any change in any Capital Adequacy Regulation after the Closing Date, affects the amount of capital required to be maintained by the Bank or any corporation controlling the Bank and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, loans, credits or obligations under this Agreement, then, upon demand of such Bank to the Company through the Agent, the Company shall pay to the Bank, from time to time as

specified by the Bank, additional amounts sufficient to compensate the Bank for such increase.

(c) The Company shall not be obligated to pay any amounts under subsection 3.03(a) or (b) to any Bank (i) unless such Bank shall have first notified the Company in writing that it intends to seek compensation from the Company pursuant to such subsection, and (ii) which are attributable to periods exceeding 90 days prior to the date of receipt by the Company of such notice.

3.04 Funding Losses. The Company shall reimburse each Bank and hold each Bank harmless from any direct loss or expense (but excluding any consequential loss or expense) which the Bank may sustain or incur as a consequence of:

(a) the failure of the Company to make on a timely basis any payment required hereunder of principal of any Offshore Rate Loan;

(b) the failure of the Company to borrow a Bid Loan after the Agent has notified a Bank pursuant to subsection 2.06(g)(i) that its Competitive Bid has been accepted by the Company, or the failure of the Company to borrow, continue or convert a Committed Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation;

(c) the failure of the Company to make any prepayment of any Committed Loan in accordance with any notice delivered under Section 2.08;

(d) the prepayment (including pursuant to Section 2.08) or payment after acceleration thereof following an Event of Default of any Offshore Rate Loan or Absolute Rate Bid Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under the proviso contained in Section 2.04(a) or under the proviso contained in Section 2.08 of any Offshore Rate Committed Loan to a Base Rate Committed Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Company to the Banks under this Section and under subsection 3.03(a), each Offshore Rate Committed Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBO Rate by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Committed Loan is in fact so funded.

3.05 Inability to Determine Rates. If all of the Reference Banks determine that for any reason adequate and reasonable means do not exist for determining the LIBO Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or that the LIBO Rate applicable pursuant to subsection 2.11(a) for any requested Interest Period with respect to a proposed Offshore

Rate Loan does not adequately and fairly reflect the cost to the Banks of funding such Loan, the Agent will promptly so notify the Company and each Bank. Thereafter, the obligation of the Banks to make additional Offshore Rate Loans hereunder shall be suspended until the Agent upon the instruction of the Majority Banks revokes such notice in writing. Upon receipt of such notice, the Company without cost or expense may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such Notice, the Banks shall make, convert or continue the Committed Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Committed Loans shall be made, converted or continued as Base Rate Committed Loans instead of Offshore Rate Committed Loans.

3.06 Reserves on Offshore Rate Committed Loans. The Company shall pay to each Bank, as long as such Bank shall be required under regulations of the FRB to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Offshore Rate Committed Loan equal to the actual costs of such reserves allocated to such Committed Loan by the Bank (as reasonably determined by the Bank), payable on each date on which interest is payable on such Committed Loan, provided the Company shall have received at least 30 days' prior written notice

(with a copy to the Agent) of such additional interest from the Bank. If a Bank fails

to give notice 30 days prior to the relevant Interest Payment Date, such additional interest shall be payable 30 days from receipt of such notice.

3.07 Certificates of Banks. Any Bank claiming reimbursement or compensation under this Article III shall deliver to the Company (with a copy to the Agent) a certificate setting forth in reasonable detail the amount payable to the Bank hereunder and such certificate shall be conclusive and binding on the Company in the absence of manifest error unless the Company shall have notified such Bank of its objection to such certificate (with a copy to the Agent) within 30 days of the Company's receipt of such claim.

3.08 Substitution of Banks. Upon the receipt by the Company from any Bank (an "Affected Bank") of a claim for compensation under Section 3.01, 3.02 or 3.03, the Company may: (i) request the Affected Bank to use its reasonable efforts to obtain a replacement bank or financial institution satisfactory to the Company and meeting the qualifications of an Eligible Assignee to acquire and assume all or a ratable part of all of such Affected Bank's Loans and Commitment (a "Replacement Bank"); (ii) request one more of the other Banks to acquire and assume all or part of such Affected Bank's Loans and Commitment (but no other Bank shall be required to do so); or (iii) designate a Replacement Bank. Any such designation of a Replacement Bank under clause (i) or (iii) shall be subject to the prior written consent of the Agent (which consent

shall not be unreasonably withheld). Any transfer arising under this Section 3.08 shall comply with the requirements of Section 10.08 and on the date of transfer the Affected Bank shall be entitled to all sums payable to it hereunder on such date including, without limitation, outstanding principal, accrued interest and fees, and other sums arising under the provisions of this Agreement.

3.09 Survival. The agreements and obligations of the Company in this Article III shall survive the payment of all other Obligations.

## ARTICLE IV
## CONDITIONS PRECEDENT

4.01 Conditions of Initial Loans. The obligation of each Bank to make its initial Committed Loan hereunder, and to receive through the Agent the initial Competitive Bid Request, is subject to and shall become effective when the Agent shall have received on or before the Closing Date all of the following, in form and substance satisfactory to the Agent and each Bank, and in sufficient copies for each Bank:

(a) Credit Agreement; Notes. This Agreement (and a Bid Loan Note for each Bank) properly executed;

(b) Resolutions; Incumbency.

(i) Copies of the resolutions of the board of directors of the Company authorizing the transactions contemplated hereby, certified as of the Closing Date by the Secretary or an Assistant Secretary of the Company; and

(ii) A certificate of the Secretary or Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to execute, deliver and perform, this Agreement, and all other Loan Documents to be delivered by it hereunder;

(c) Organization Documents; Good Standing. Each of the following documents:

(i) the articles or certificate of incorporation and the bylaws of the Company as in effect on the Closing Date, certified by the Secretary or Assistant Secretary of the Company as of the Closing Date; and

(ii) a good standing certificate dated within five (5) days of the Closing Date for the Company from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation;

(d) Legal Opinions. An opinion of John H. LeFevre, General Counsel to the Company and addressed to the Agent and the Banks,

substantially in the form of Exhibit K;

(e) Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, including any such costs, fees and expenses arising under or referenced in Section 2.12;

(f) Certificate. A certificate signed on behalf of the Company by the Company's chief executive officer, chief financial officer or treasurer, dated as of the Closing Date, stating that:

(i) the representations and warranties contained in Article V are true and correct on and as of such date, as though made on and as of such date;

(ii) no Default or Event of Default exists or would result from the initial Borrowing; and

(iii) there has occurred since December 31, 1996, no event or circumstance that has resulted or would reasonably be expected to result in a Material Adverse Effect;

(g) Existing Agreement. Evidence to the satisfaction of the Agent of the Company's payment of all amounts due under the Existing Agreement;

(h) Other Documents. Such other approvals, opinions, documents or materials as the Agent or any Bank may reasonably request.

4.02 Conditions to All Borrowings. The obligation of each Bank to make any Committed Loan to be made by it, or any Bid Loan as to which the Company has accepted the relevant Competitive Bid (including its initial Loan), or to continue or convert any Committed Loan under Section 2.04 is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date or Conversion/Continuation Date:

(a) Notice of Borrowing or Conversion/Continuation. As to any Committed Loan, the Agent shall have received (with, in the case of the initial Loan only, a copy for each Bank) a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable;

(b) Continuation of Representations and Warranties. The representations and warranties in Article V shall be true and correct on and as of such Borrowing Date or Conversion/Continuation Date with the same effect as if made

on and as of such Borrowing Date or Conversion/Continuation Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date); and

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing or continuation or conversion.

Each Notice of Borrowing and Notice of Conversion/Continuation and Competitive Bid Request submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice or request and as of each Borrowing Date or Conversion/Continuation Date, as applicable, that the conditions in Section 4.02 are satisfied.

## ARTICLE V
## REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Agent and each Bank that:

5.01 Corporate Existence and Power. The Company and each of its Material Subsidiaries:

(a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business (except where the failure to have any such governmental license, authorization, consent or approval would not reasonably be expected to have a Material Adverse Effect) and to execute, deliver, and as to the Company only, to perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license except when the failure to so qualify or be so licensed or in good standing would preclude it from enforcing its rights with respect to any of its assets or expose it to any liability, which in either case would reasonably be expected to have a Material Adverse Effect; and

(d) is in all material respects in compliance with the Requirements of Law except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

5.02 Corporate Authorization; No Contravention. The execution, delivery and performance by the Company of this Agreement and each other Loan Document to which the Company is party, have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of the Company's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the Company is a party or any order, injunction, writ or decree of any Governmental Authority to which the Company or its property is subject except where such conflict, breach, contravention or Lien would not reasonably be expected to have a Material Adverse Effect; or

(c) violate any Requirement of Law.

5.03 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company of the Agreement or any other Loan Document.

5.04 Binding Effect. This Agreement and each other Loan Document to which the Company is a party constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

5.05 Litigation. Except as specifically disclosed in Schedule 5.05, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Company, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, or its Subsidiaries or any of their respective properties which:

(a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) would reasonably be expected to have a Material Adverse Effect.

No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or

directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

5.06 No Default. At the Closing Date and at the time of any Borrowing, no Default or Event of Default exists or would result from the incurring of any Obligations by the Company. As of the Closing Date, neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Closing Date, create an Event of Default under subsection 8.01(e).

5.07 ERISA Compliance. Except as specifically disclosed in Schedule 5.07:

(a) Each Plan is in compliance in all material respects with

the applicable provisions of ERISA, the Code and other federal or state law except where non-compliance would not reasonably be expected to result in a Material Adverse Effect. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or, if otherwise, the failure to apply for or receive a favorable determination letter would not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, nothing has occurred which would

cause the loss of qualification the effect of which would reasonably be expected to result in a Material Adverse Effect. The Company and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan when the failure to make such contribution or when such application or extension would reasonably be expected to result in a Material Adverse Effect.

(b) There are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Company nor any ERISA

Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA that, in the case of any of clauses (i) through (v), would reasonably be expected to result in a Material Adverse Effect.

5.08 Use of Proceeds; Margin Regulations. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 6.12 and Section 7.05. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

5.09 Title to Properties. The Company and each Subsidiary have good record and marketable title in fee simple to, or to their knowledge valid leasehold interests in, all real property necessary for the ordinary conduct of their respective businesses, except for such defects in title as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. As of the Closing Date, the property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

5.10 Taxes. The Company and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP or where failure to file such return or to pay any such tax would not reasonably be expected to have a Material Adverse Effect. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

5.11 Financial Condition.

(a) The audited consolidated financial statements of the Company and its Subsidiaries dated December 31, 1996, and the unaudited consolidated financial statements dated March 31, 1997, and the related consolidated statements of income or operations, balance sheet and cash flows for the fiscal year or the fiscal quarter, respectively, ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein,

subject to ordinary, good faith year end audit adjustments in the case of such unaudited statements;

(ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) show all material Indebtedness and other liabilities, direct or contingent, of the Company and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations except for Indebtedness and other liabilities, the existence of which would not have a Material Adverse Effect.

(b) Since December 31, 1996, there has been no Material Adverse Effect.

5.12 Environmental Matters. The Company conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in Schedule 5.12, such Environmental Laws and Environmental Claims would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.13 Regulated Entities. None of the Company, any Person controlling the Company, or any Subsidiary, is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Company is not subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

5.14 No Burdensome Restrictions. Neither the Company nor any Subsidiary is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document, or any Requirement of Law, which would reasonably be expected to have a Material Adverse Effect.

5.15 Copyrights, Patents, Trademarks and Licenses, etc. The Company or its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person except where the failure to own, be licensed to or otherwise have the right to use the same would not have a Material Adverse Effect. To the best knowledge of the Company, no material slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person where any such infringement would reasonably be expected to have a Material Adverse Effect. Except

as specifically disclosed in Schedule 5.05, no claim or litigation regarding any of the foregoing is pending or to the knowledge of the Company threatened, which would reasonably be expected to have a Material Adverse Effect.

5.16 Subsidiaries. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 5.16 hereto and has no material equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 5.16.

5.17 Insurance. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance or reinsurance companies, in such amounts, with such deductibles and covering such risks as are believed by the Company to be adequate in the exercise of its reasonable business judgment.

5.18 Full Disclosure. None of the representations or warranties made by the Company in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, financial report or statements or certificate furnished by or on behalf of the Company in connection with the Loan Documents, contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein,

in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

ARTICLE VI

AFFIRMATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, unless the Majority Banks waive compliance in writing:

6.01 Financial Statements. The Company shall deliver to the Agent, in form and detail reasonably satisfactory to the Agent, with sufficient copies for each Bank:

(a) as soon as available, but not later than the date which is the earlier of (x) 120 days after the end of each fiscal year or (y) five (5) Business Days after the delivery of the following financial statements to the SEC, a copy of the audited consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of Deloitte & Touche or another nationally-recognized independent public accounting firm ("Independent Auditor") which report

shall state that such consolidated financial statements present fairly, in all material respects, the financial position for the periods indicated in conformity with GAAP. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Company's or any Subsidiary's records; and

(b) as soon as available, but not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year, a copy of the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified on behalf of the Company by a Responsible Officer as fairly presenting, in all material respects and in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Company and its consolidated Subsidiaries.

6.02 Certificates; Other Information. The Company shall furnish to the Agent, with sufficient copies for each Bank:

(a) concurrently with the delivery of the financial statements referred to in subsections 6.01(a) and (b), a

Compliance Certificate executed by a Responsible Officer on behalf of the Company which certifies that no Default or Event of Default has occurred and is continuing (except as described therein);

(b) promptly, copies of all financial statements and reports that the Company sends to its shareholders, and copies of all financial statements and regular, periodical or special reports (including Forms 10K, 10Q and 8K) that the Company or any Subsidiary may make to, or file with, the SEC; and

(c) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary as the Agent, at the request of any Bank, may from time to time reasonably request and which relates to the ability of the Company to perform under this Agreement.

6.03 Notices. Upon obtaining knowledge of any event described below, the Company shall promptly notify the Agent and each Bank:

(a) of the occurrence of any Default or Event of Default;

(b) of any of the following matters of which a Responsible Officer obtains knowledge that would result in a

Material Adverse Effect: (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any of the following events affecting the Company or any ERISA Affiliate which would reasonably be expected to result in a Material Adverse Effect (but in no event more than 10 days after a Responsible Officer obtains knowledge of such event), and deliver to the Agent and each Bank a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a material increase in the Unfunded Pension Liability of any Pension Plan;

(iii) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Company or any ERISA Affiliate; or

(iv) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability ;

(d) of any material change in accounting policies or financial reporting practices by the Company or any of its consolidated Subsidiaries which would reasonably be expected to materially affect the Company's consolidated financial reports;

(e) of any change in the Company's senior unsecured long-term debt ratings as publicly announced by either S&P or Moody's, provided that any failure by the Company to give notice of such change shall not affect the Company's payment obligations hereunder and such failure shall not constitute an Event of Default.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company or any affected Subsidiary proposes to take with respect thereto

and at what time. Each notice under subsection 6.03(a) shall describe with particularity any and all provisions of this Agreement or other Loan Document (if any) that have been breached or violated.

6.04 Preservation of Corporate Existence, Etc. The Company shall, and shall cause each Material Subsidiary to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation;

(b) to the extent practicable, using reasonable efforts, preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except (x) when the non-preservation and non-maintenance of such rights, privileges, qualifications, permits, licenses or franchises would reasonably be expected not to have a Material Adverse Effect or (y) in connection with transactions permitted by Section 7.03 and sales of assets permitted by Section 7.02;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill except when in the reasonable judgment of the Company it is

not economical to do so or where the failure to do so would not reasonably be expected to have a Material Adverse Effect; and

(d) to the extent practicable, using reasonable efforts, preserve or renew all of its registered patents, trademarks, trade names and service marks, except when non-preservation or non-renewal of such patents, trademarks, trade names or service marks would reasonably be expected not to have a Material Adverse Effect.

6.05 Maintenance of Property. The Company shall maintain, and shall cause each Subsidiary to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear and casualty loss excepted and make all necessary repairs thereto and renewals and replacements thereof except when in the reasonable judgment of the

Company it is not economical to do so or where the failure to do so would not reasonably be expected to have a Material Adverse Effect. The Company and each Subsidiary shall use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.06 Insurance. The Company shall maintain, and shall cause each Material Subsidiary to maintain, with financially sound and reputable insurers or independent reinsurers, insurance with

respect to its properties and business against loss or damage of the kinds and in the amounts determined by the Company to be necessary or desirable in the exercise of its reasonable business judgment.

6.07 Payment of Obligations. The Company shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary or unless the failure to pay or discharge would not have a Material Adverse Effect;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property except when the failure to pay or discharge would not have a Material Adverse Effect; and

(c) all Indebtedness, as and when due and payable (except for such Indebtedness which is contested by the Company or any Subsidiary in good faith or where the failure to pay or discharge would not reasonably be expected to result

in a Material Adverse Effect), but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.08 Compliance with Laws. The Company shall comply, and shall cause each Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist or where the failure to comply would not have a Material Adverse Effect.

6.09 Compliance with ERISA. The Company shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law except where non-compliance would not reasonably be expected to result in a Material Adverse Effect; and (b) make all required contributions to any Plan subject to Section 412 of the Code except where failure to make any contribution would not reasonably be expected to result in a Material Adverse Effect.

6.10 Inspection of Property and Books and Records. The Company shall maintain and shall cause each Material Subsidiary to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied

shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiary. Subject to reasonable safeguards to protect confidential information, the Company shall permit, and shall cause each Material Subsidiary to permit, representatives and independent contractors of the Agent to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and with respect to the Company but not its Subsidiaries to discuss their respective affairs, finances and accounts with the Company's directors, senior officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, when an Event of Default exists the Agent or any Bank may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice. The Agent shall promptly advise the Banks of its findings after any such visit, inspection, examination or discussion.

6.11 Environmental Laws. The Company shall, and shall cause each Subsidiary to, conduct its operations and keep and maintain its property in compliance with all Environmental Laws except where the failure to comply would not have a Material Adverse Effect.

6.12 Use of Proceeds. The Company shall use the proceeds of the Loans for general corporate purposes including Acquisitions not in contravention of any Requirement of Law or of this Agreement.

## ARTICLE VII
## NEGATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, unless the Majority Banks waive compliance in writing:

7.01 Limitation on Liens. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on property of the Company or any Subsidiary on the Closing Date and set forth in Schedule 7.01 or shown as a liability on the Company's consolidated financial statements as of December 31, 1996 securing Indebtedness outstanding on such date;

(b) any Lien created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 6.07, provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens on the property of the Company or any of its Subsidiaries securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary

course of business, provided all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries;

(h) Liens on assets of corporations which become Subsidiaries after the date of this Agreement, provided, however, that such Liens existed at the time the respective corporations became Subsidiaries;

(i) purchase money security interests on any property acquired or held by the Company or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided that (i) any such Lien attaches to such property concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the Indebtedness secured thereby does not exceed 100% of the cost of such property, and (iv) the

principal amount of the Indebtedness secured by any and all such purchase money security interests shall not at any time exceed $30,000,000;

(j) Liens securing obligations in respect of capital leases on

assets subject to such leases;

(k) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution except in either case when such deposit accounts are established or required in the ordinary course of business and would not have a Material Adverse Effect; and

(l) Notwithstanding the provisions of subsections 7.01(a) through (k), there shall be permitted Liens on property (including Liens which would otherwise be in violation of such subsections), provided that the sum of the aggregate Indebtedness of the Company and its Subsidiaries

secured by all Liens permitted under this subsection (l), excluding the Liens permitted under subsections (a) through (k), shall not exceed an amount equal to 15% of the Company's total consolidated assets as shown on its consolidated balance sheet for its most recent prior fiscal quarter.

7.02 Disposition of Assets. Except as otherwise permitted by any other provision of this Agreement, the Company shall not, and shall not suffer or permit any Material Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except:

(a) dispositions of inventory, or used, worn-out or surplus equipment, all in the ordinary course of business;

(b) dispositions on reasonable commercial terms and for fair value or which would not have a Material Adverse Effect, provided that dispositions of the stock of any Material Subsidiary shall not be permitted under this subsection(b);

(c) dispositions of property between the Company and any consolidated Subsidiary or among consolidated Subsidiaries; and

(d) other dispositions of property during the term of this Agreement (excluding dispositions permitted under subsections 7.02(a) through (c)) whose net book value in the aggregate shall not exceed 25% of the Company's total consolidated assets as shown on its consolidated balance sheet for its most recent prior fiscal quarter.

7.03 Consolidations and Mergers. The Company shall not, and shall not suffer or permit any Material Subsidiary to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except:

(a) any Person may merge with the Company, provided that the Company shall be the continuing or surviving corporation;

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

(c) the Company or any Subsidiary may convey, transfer, lease or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise), to the

Company or another Wholly-Owned Subsidiary, as the case may be.

7.04 Transactions with Affiliates. The Company shall not, and shall not suffer or permit any Subsidiary to, enter into any transaction with any Affiliate (other than a Wholly-Owned Subsidiary) of the Company, except transactions (a) entered into in good faith and (b) upon commercially reasonable terms and taking into consideration the totality of circumstances pertaining to such transaction as determined by the Company.

7.05 Use of Proceeds. The Company shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, in a manner which violates any applicable Requirement of Law and which would have a Material Adverse Effect (provided that this Section 7.05 shall not be deemed to permit the use of Loan proceeds in violation of any Requirement of Law applicable to any Bank). Notwithstanding the foregoing, at no time shall more than 25% of the value (as determined by any reasonable method) of the Company's assets consist of Margin Stock.

7.06 Restricted Payments. The Company shall not, and shall not suffer or permit any Subsidiary (other than a Wholly-Owned Subsidiary) to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital

stock, or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding; except that the Company or any non-Wholly-Owned Subsidiary may:

(a) declare and make dividend payments or other distributions payable solely in its common stock;

(b) purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock; and

(c) declare or pay cash dividends to its stockholders and purchase, redeem or otherwise acquire shares of its capital stock or warrants, rights or options to acquire any such shares for cash provided, that, before and immediately after giving effect to such proposed action, no Default or Event of Default exists or would exist.

7.07 ERISA. The Company shall not, and shall not suffer or permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or would reasonably expected to result in a Material Adverse Effect; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of

ERISA and which would reasonably be expected to result in a Material Adverse Effect.

7.08 Change in Business. The Company shall not, and shall not suffer or permit any Subsidiary to, engage in any business that would substantially change the general nature of the business conducted by the Company and its consolidated Subsidiaries on the Closing Date.

7.09 Accounting Changes. The Company shall not, and shall not suffer or permit any Material Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Company or of any such Subsidiary, if such change would reasonably be expected to result in a Material Adverse Effect.

7.10 Interest Coverage. The Company shall not permit as of the last day of any fiscal quarter (commencing with the period ending March 31, 1997), on a consolidated basis, the ratio of (i) Earnings Before Interest and Taxes to (ii) Interest Expense, to be less than 2.5 to 1.0. For purposes of this section, "Earnings Before Interest and Taxes" means as at the end of any fiscal quarter of the Company for the period of four consecutive fiscal quarters ended as at such date, the sum of (a) the consolidated net income (or net loss) of the Company and its Subsidiaries for such period as determined in accordance with GAAP, plus (b) all amounts

treated as interest expense for such period to the extent included in the determination of such consolidated net income (or loss); plus (c) all taxes accrued for such period on or measured by income to the extent included in the determination of such consolidated net income (or loss); provided, however, that consolidated net income (or loss) shall be computed for the purposes of this definition without giving effect to extraordinary losses or extraordinary gains for such period; and "Interest Expense" means as at the end of any fiscal quarter of the Company for the period of four consecutive fiscal quarters ended as at such date, all amounts treated as interest expense for such period to the extent included in the determination of the Company's consolidated net income (or net loss) for such period as determined in accordance with GAAP.

7.11 Leverage. The Company shall not permit as of the last day of any fiscal quarter (commencing with the period ending March 31, 1997), on a consolidated basis, the ratio of (i) Funded Debt to (ii) Total Capitalization,

to be greater than 0.60 to 1.0.

7.12 Subsidiary Indebtedness. The Company shall not permit as of the last day of any fiscal quarter (commencing with the period ending March 31, 1997), the aggregate Indebtedness of its consolidated Subsidiaries to exceed 25% of shareholders' equity as set forth on the consolidated balance sheet of the Company and its consolidated Subsidiaries as determined in accordance with GAAP and

as reflected in its most recent annual or quarterly financial statements delivered to the Agent under Section 6.01. For purposes of this Section 7.12, the term "Indebtedness" shall be deemed to exclude Indebtedness of a Person which becomes a Subsidiary after the date hereof, provided that such excluded Indebtedness existed at the time such Person became a Subsidiary and was not created in anticipation thereof.

## ARTICLE VIII
## EVENTS OF DEFAULT

8.01 Event of Default. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Company fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within two (2) Business Days following written notice to the Company given by the Agent or any Bank after the same becomes due, any interest, fee or any other amount payable hereunder or under any other Loan Document; or

(b) Representation or Warranty. Any representation or warranty by the Company or any Subsidiary made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any Subsidiary, or any Responsible Officer,

furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in any of Section 6.03(a), 6.12, 7.02, 7.04, 7.05, 7.06, 7.10, 7.11 or 7.12; or

(d) Other Defaults. The Company fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of 30 days after the earlier of (i) the date upon which a Responsible Officer knew of such failure or (ii) the date upon which written notice thereof is given to the Company by the Agent or any Bank; or

(e) Cross-Default. (i) The Company or any Subsidiary (i) fails to perform or observe any condition or covenant, or any other event shall occur or condition shall exist, under any agreement or instrument relating to any Indebtedness having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $50,000,000, and such failure continues after the applicable grace or notice period, if any,

specified in the relevant document on the date of such failure if the effect of such failure, event or condition is to cause such Indebtedness to be declared to be due and payable prior to its stated maturity; or (ii) if there shall occur any default or event of default, however denominated, under any cross default provision under any agreement or instrument relating to any such Indebtedness of more than $50,000,000; or

(f) Insolvency; Voluntary Proceedings. The Company or any Material Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Material Subsidiary, or any writ, judgment, warrant of attachment, execution or

similar process, is issued or levied against a substantial part of the Company's or any such Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not

be released, stayed, vacated or fully bonded within 60 days after commencement, filing, issuance or levy; (ii) the Company or any Material Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law involving a material portion of the Company's or such Subsidiary's total assets) is ordered in any Insolvency Proceeding involving the Company or any such Subsidiary; or (iii) the Company or any Material Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $50,000,000; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds $50,000,000; or (iii) the Company or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of

$50,000,000 and, in the case of any of clauses (i) through (iii), such liability or failure to pay shall not have been vacated, discharged, stayed, appealed or paid within ten (10) Business Days after such liability or payment obligation arises; or

(i) Monetary Judgments. One or more non-interlocutory judgments, non-interlocutory orders, non-interlocutory decrees or arbitration awards is entered against the Company or any Material Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of $50,000,000 or more, and the same shall not have been vacated, discharged, stayed or appealed within the applicable period for appeal from the date of entry thereof or paid within ten (10) Business Days after the same becomes non-appealable; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Company or any Subsidiary which does or would reasonably be expected to have a Material Adverse Effect; or

(k) Change of Control. There occurs any Change of Control. For purposes of this Section 8.01(k), (i) a "Change

of Control" shall occur if any person or group of persons becomes the beneficial owner of 51% or more of the voting power of the Company for a period of 30 days or more; and (ii) the term "person" shall have the meaning set forth in Section 13(d) of the Exchange Act and the term "beneficial owner" shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

8.02 Remedies. If any Event of Default occurs, the Agent shall, at the request of, or may, with the consent of, the Majority Banks,

(a) declare the commitment of each Bank to make Committed Loans to be terminated, whereupon such commitments shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

(c) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any event specified in subsection

(f) or (g) of Section 8.01 (in the case of clause (i) of subsection (g) upon the expiration of the 60-day period mentioned therein), the obligation of each Bank to make Loans shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Agent or any Bank without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company.

8.03 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents (whether now existing or hereafter arising) are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity.

## ARTICLE IX
## THE AGENT

9.01 Appointment and Authorization. Each Bank hereby irrevocably appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such

powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent.

9.02 Delegation of Duties. The Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Liability of Agent. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof,

contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

9.04 Reliance by Agent.

(a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any

action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks (or all the Banks if specifically required hereunder) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks (or all the Banks if specifically required hereunder) and such

request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent on or prior to the Closing Date by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

9.05 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of

Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Agent will notify the Banks of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Banks in accordance with Article VIII; provided, however, that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

9.06 Credit Decision. Each Bank acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries,

and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

9.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be

liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

9.08 Agent in Individual Capacity. BofA and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though BofA were not the Agent hereunder and

without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to

confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to its Loans, BofA shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" include BofA in its individual capacity.

9.09 Successor Agent. The Agent may, and at the request of the Company (so long as no Default or Event of Default exists at the time of such request) or the Majority Banks shall, resign as Agent upon 30 days' notice to the Banks. If the Agent resigns under this Agreement, the Company shall appoint from among the Banks a successor agent for the Banks (unless an Event of Default then exists in which case the Majority Banks shall appoint the successor agent). If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article IX and Sections 10.04 and 10.05 shall inure to its benefit as to any actions taken or omitted

to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Company or the Majority Banks appoint a successor agent as provided for above.

9.10 Withholding Tax.

(a) If any Bank claims exemption from withholding tax under a United States tax treaty by providing IRS Form 1001 and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Bank, such Bank agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Bank. To the extent of such percentage amount, the Agent will treat such Bank's IRS Form 1001 as no longer valid.

(b) Subject to the requirements of this Agreement, if any Bank claiming exemption from United States withholding tax by filing IRS Form 4224 with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Bank, such Bank agrees to undertake sole responsibility for complying with the

withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(c) If the IRS or any other Governmental Authority of the United States or any other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Agent of a change in circumstances which rendered the exemption from withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this subsection, together with all costs and expenses (including Attorney Costs). The obligation of the Banks under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent.

## ARTICLE X
## MISCELLANEOUS

10.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom,

shall be effective unless the same shall be in writing and signed by the Majority Banks (or by the Agent at the written request of the Majority Banks) and the Company and acknowledged by the Agent, and then any such waiver and consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Banks and the Company and acknowledged by the Agent, do any of the following:

(a) increase or extend the Commitment of any Bank (or reinstate any Commitment terminated pursuant to subsection 8.02(a)), unless such Bank has consented thereto in writing pursuant to Section 2.09 or otherwise;

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, facility fees or other material amounts due to the Banks (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to clause (ii) below) any facility fees or other material amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Banks or any of them to take any action hereunder; or

(e) amend this Section, or Section 2.14, or any provision herein providing for consent or other action by all Banks;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Agent under this Agreement or any other Loan Document, and (ii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto.

10.02 Notices.

(a) All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 10.02, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and

mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 10.02; or, as directed to the Company or the Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the fifth Business Day after the date deposited into the U.S. mail, or if delivered, upon delivery; except that notices pursuant to Article II or IX shall not be effective until actually received by the Agent.

(c) Any agreement of the Agent and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Company. The Agent and the Banks shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice and, absent gross negligence or willful misconduct, the Agent and the Banks shall not have any liability to the Company or other Person on account of any action taken or not taken by the Agent or the Banks in

reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans shall not be affected in any way or to any extent by any failure by the Agent and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Agent and the Banks of a confirmation which is at variance with the terms understood by the Agent and the Banks to be contained in the telephonic or facsimile notice.

10.03 No Waiver; Cumulative Remedies. No failure to exercise and no

delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.04 Costs and Expenses. The Company shall:

(a) following the Closing Date pay or reimburse the Agent within five Business Days after demand for all reasonable costs and expenses incurred by the Agent in connection with the administration of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith,

including reasonable Attorney Costs incurred by the Agent with respect thereto; and

(b) pay or reimburse the Agent, the Arranger and each Bank within five Business Days after demand for all reasonable costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

10.05 Indemnity. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including reasonable Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Agent or replacement of any Bank) result from an action, suit, proceeding or claim asserted against any such

Indemnified Person by any Person not entitled to indemnification under this section in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, however, that the Company shall not be liable to any Indemnified Person for any portion of such Indemnified Liabilities resulting from such Indemnified Person's gross negligence or willful misconduct. In the event this indemnity is unenforceable as a matter of law as to a particular matter or consequence referred to herein, it shall be enforceable to the full extent permitted by law. Promptly upon receipt of notice of the making of any claim or the initiation of any action, suit, or proceeding, the Indemnified Person shall, if a claim in respect thereof is to be made against the Company hereunder, notify the Company in writing of the commencement thereof. The Company shall have the right at its expense, to provide and to control the defense of any such claim, action, suit, or proceeding, provided that the Company must keep such Indemnified Person apprised of the progress of any such claim, action, suit or proceeding, and provided further that if such Indemnified Person

reasonably believes that its failure to participate will materially adversely affect its interests or when the Indemnified Person has received an opinion of nationally recognized counsel (which opinion shall be at the Company's expense) that there is a conflict of interest which makes it inadvisable for the Company's attorney to represent such Person, it shall notify the Company of such conclusion in writing and may, at its election, participate in such claim, action, suit or proceeding (the legal fees incurred by such Indemnified Person as a result of such participation to be reimbursed by the Company to such Person). Any such claim, action, suit or proceeding shall not be settled, if any indemnification is claimed hereunder with respect thereto, without the prior written approval of the Company and such Indemnified Person which shall not be unreasonably withheld or delayed in either case. The agreements in this Section shall survive payment of all other Obligations.

10.06 Payments Set Aside. To the extent that the Company makes a payment to the Agent or the Banks, or the Agent or the Banks exercise their right of set-off, and such payment or the proceeds of such set-off or any part

thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be

satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Agent upon demand its pro rata share or other applicable share of any amount so recovered from or repaid by the Agent.

10.07 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank and no Bank shall assign any of its rights or obligations hereunder except in accordance with Section 10.08.

10.08 Assignments, Participations, etc.

(a) Any Bank may, with the written consent of the Company at all times other than during the existence of an Event of Default and the Agent, which consents shall not be unreasonably withheld, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Company or the Agent shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank) (each an "Assignee") all, or any ratable part of all, of the Loans, the

Commitment and the other rights and obligations of such Bank hereunder, in a minimum amount of $20,000,000; provided, however, that the Company and the Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Company and the Agent by such Bank and the Assignee; (ii) such Bank and its Assignee shall have delivered to the Company and the Agent an Assignment and Acceptance in the form of Exhibit L ("Assignment and Acceptance") and (iii) the assignor Bank or Assignee has paid to the Agent a processing fee in the amount of $2,500, provided that in the case of a transfer under Section 3.08, the assignor Bank shall not be obligated to pay such processing fee.

(b) From and after the date that the Agent notifies the Company and the assignor Bank that it has received an executed Assignment and Acceptance which has been consented to by the Agent and by the Company (if required), and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the

assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Within five Business Days after its receipt of notice by the Agent that it has received an executed Assignment and Acceptance and payment of the processing fee, (and provided that the Agent and the Company consents to such assignment in accordance with subsection 10.08(a)), the Company shall execute and deliver to the Agent a Bid Loan Note for the Assignee (if the Assignee was not previously a Bank under this Agreement) and, if the assignor Bank is not retaining any interest in this Agreement such assignor Bank shall promptly cancel and return its Bid Loan Note to the Agent for return to the Company. Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Bank pro tanto.

(d) Any Bank may, with the written consent of the Company at all times other than during the existence of an Event of Default, which

consent shall not be unreasonably withheld, at any time sell to one or more Eligible Assignees (a "Participant") participating interests in any Loans, the Commitment of that Bank and the other interests of that Bank (the "originating Bank") hereunder and under the other Loan Documents; provided, however, that (i) the originating Bank's obligations under this Agreement shall remain unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Company and the Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents, (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 10.01 and (v) with respect to the sale of participating interests in any Bid Loan to any Participant, (x) the Company's consent shall not be required and (y) the term "Eligible Assignee" shall be deemed to include any financial institution organized under the laws of the United States having a combined capital and surplus of at least

$250,000,000. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any of the other Loan Documents, and all amounts payable by the Company hereunder shall be determined as if such Bank had not sold such participation.

(e) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Company and provided to it by the Company or any Subsidiary, or by the Agent on such Company's or Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall disseminate such information except on a "need to know" basis to employees of such Bank or Affiliate, as the case may be, and their respective representatives or use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; provided, however, that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the

Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process (provided that such Bank shall promptly notify the Company of any such subpoena or process, unless it is legally prohibited from doing so, and cooperate with the Company at the Company's expense in obtaining a suitable order protecting the confidentiality of such information); (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Agent, any Bank or their respective Affiliates may be party provided that such Bank will promptly notify the Company of any such disclosure and use reasonable efforts at the Company's expense to obtain a suitable order protecting the confidentiality of such information; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Bank's independent auditors and other professional advisors; and (G) to any Affiliate of such Bank, or to any Participant or Assignee, actual or (with the written consent of the Company) potential, provided that such Affiliate, Participant or Assignee agrees in writing to keep such information confidential to the same extent required of the Banks hereunder.

(f) Notwithstanding any other provision in this Agreement, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and any Note held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR ss.203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law. If requested by any such Bank for purposes of this subsection 10.08(f), the Company shall execute and deliver to such Bank a promissory note evidencing such Bank's Committed Loans, which promissory note shall be in a form reasonably satisfactory to the Agent and the Company.

10.09 Set-off. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists, each Bank is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Company against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or

unmatured. In the event of any inconsistency between this section and any agreement governing deposits maintained by the Company with any Bank, this Section shall control with respect to set-offs affecting this Agreement. Each Bank agrees promptly to notify the Company and the Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

10.10 Notification of Addresses, Lending Offices, Etc. Each Bank shall notify the Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Agent shall reasonably request.

10.11 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

10.12 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the

legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

10.13 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Banks, the Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

10.14 Governing Law and Jurisdiction.

(a) THIS AGREEMENT (AND THE NOTES) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE AGENT AND THE BANKS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE COMPANY, THE AGENT AND THE BANKS IRREVOCABLY WAIVES ANY

OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO.

10.15 Waiver of Jury Trial. THE COMPANY, THE BANKS AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY, THE BANKS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF.

THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

10.16 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Banks and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

DELUXE CORPORATION

By Thomas W. VanHimbergen
---

Title Senior Vice President
---
and Chief Financial Officer
---

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By J. Casey Cosgrove
---

Title Assistant Vice President
---

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Bank

By J. Casey Cosgrove
---

Title Assistant Vice President
---

FIRST BANK NATIONAL ASSOCIATION

By David Y. Kopolow
---

Title Vice President
---

THE BANK OF NEW YORK

By Richard A. Raffetto
---

Title Vice President
---

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

By Douglas A. Lindstrom
---

Title Assistant Vice President
---

WACHOVIA BANK, N.A.

By Elizabeth Schrock
---

Title Vice President
---

COMMITMENTS
AND PRO RATA SHARES

| Bank | Commitment | Pro Rata Share |
|---|---|---|
| Bank of America National Trust and Savings Association | $50,000,000 | 33.33333332% |
| First Bank National Association | $25,000,000 | 16.66666667% |
| The Bank of New York | $25,000,000 | 16.66666667% |
| Norwest Bank Minnesota, National Association | $25,000,000 | 16.66666667% |
| Wachovia Bank, N.A. | $25,000,000 | 16.66666667% |
| TOTAL | $150,000,000 | 100.00000000% |

SCHEDULE 5.12

ENVIRONMENTAL MATTERS

None

SCHEDULE 5.16
LIST OF SUBSIDIARIES AND MATERIAL EQUITY INVESTMENTS

Part (a) -- Subsidiaries:

Chex Systems, Inc. (DE - 100%)
Current, Inc. (DE - 100%)
Deluxe Business Forms and Supplies, Inc. (MN - 100%)
Deluxe Canada, Inc. (Canada - 100%)
Deluxe Check Printers, Inc. (MN - 100%)
Deluxe Check Texas, Inc. (MN - 100%)
        Deluxe Check Printers Texas, L.P.
Deluxe Direct, Inc. (CO - 100%)
Deluxe Electronic Payment Systems, Inc. (DE - 100%)
Deluxe Financial Services, Inc. (MN - 100%)
Deluxe Holdings (Netherlands) B.V. (To be formed)
Deluxe Payment Protection Systems, Inc. (DE - 100%)
Deluxe (UK) Limited (United Kingdom - 100%)
        United Creditors' Alliance International Limited (United Kingdom - 100%)
        Deluxe Data International Limited (United Kingdom - 100%)
                Connex Europe s.r.l. (Italy - 100%)
ESP Employment Screening Partners, Inc. (MN - 100%)
Nelco, Inc. (WI - 100%)
NRC Holding Corporation (DE - 100%)
        National Revenue Corporation (OH - 100%) United Creditors' Alliance Corporation (OH - 100%) National Credit Services Corporation (MO - 100%)
        National Receivables Corporation (OH- 100%)
PaperDirect, Inc. (NJ - 100%)
        PaperDirect Pacific Holdings, Ltd. (MN - 100%)
                PaperDirect Pacific Pty. Limited (Australia - 100%)
                        PaperDirect Pacific Exports Pty. Limited (Australia - 100%)
1385 East County Road E Inc. (MN - 100%)

PART (b) MATERIAL EQUITY INVESTMENTS:

NONE

SCHEDULE 7.01

EXISTING LIENS

None

SCHEDULE 10.02

OFFSHORE AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

DELUXE CORPORATION

All notices:

Deluxe Corporation
3680 Victoria Street North
Shoreview, Minnesota 55126-2966
Attention: Thomas W. VanHimbergen, Chief Financial Officer
Telephone: (612) 483-7355
Facsimile: (612) 481-4163

with a copy to:

John M. LeFevre, General Counsel
Deluxe Corporation
3680 Victoria Street North
Shoreview, Minnesota 55126-2966
Telephone: (612) 483-7008
Facsimile: (612) 481-4163

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

Address for Credit/Documentation Issues:

Bank of America National Trust
and Savings Association
231 South LaSalle Street, Suite 913
Chicago, Illinois 60697
Attention: Casey Cosgrove
Telephone: (312) 828-3092
Facsimile: (312) 987-1276

Address for Notices/Operational Purposes:

Bank of America National Trust
and Savings Association
Agency Administrative Services #5596
1455 Market Street, 13th Floor
San Francisco, California 94103
Attention: Elizabeth Chao
Telephone: (415) 436-4023
Facsimile: (415) 436-2700

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as a Bank

DOMESTIC AND OFFSHORE LENDING OFFICE:
1850 Gateway Boulevard, Fourth Floor
Concord, California 94520

Notices (other than Borrowing notices and Notices of
Conversion/Continuation):

Bank of America National Trust
and Savings Association
1850 Gateway Boulevard, Fourth Floor
Concord, California 94520

with a copy to:

Bank of America NT&SA
231 South LaSalle Street, 9L
Chicago, Illinois 60697
Attention: Casey Cosgrove
Telephone: (312) 828-3092
Facsimile: (312) 987-1276

FIRST BANK NATIONAL ASSOCIATION

DOMESTIC AND OFFSHORE LENDING OFFICE:
First Bank Place, 601 2nd Avenue South
Minneapolis, Minnesota 55402-4302

Notices (other than Borrowing notices and Notices of Conversion/Continuation):

Address: First Bank Place, 601 2nd Avenue South
Minneapolis Minnesota 55402-4302
Attention: David Kopolow
Telephone: (612) 973-0516
Facsimile: (612) 973-0824

THE BANK OF NEW YORK

DOMESTIC AND OFFSHORE LENDING OFFICE:
One Wall Street Central Division, 19th Floor
New York, New York 10286

Notices (other than Borrowing notices and Notices of Conversion/Continuation):

Address: One Wall Street Division, 19th Floor
New York, New York 10286
Attention: Richard Raffetto
Telephone: (212) 635-8044
Facsimile: (212) 635-1208

NORWEST BANK MINNESOTA,
NATIONAL ASSOCIATION

DOMESTIC AND OFFSHORE LENDING OFFICE:
Sixth & Marquette
Minneapolis, Minnesota 55479-0085

Notices (other than Borrowing notices and Notices of Conversion/Continuation):

Address: Sixth & Marquette
Minneapolis, Minnesota 55479-0085
Attention: Mary D. Falck
Telephone: (612) 667-9674
Facsimile: (612) 667-4145

WACHOVIA BANK, N.A.

DOMESTIC AND OFFSHORE LENDING OFFICE:
191 Peachtree Street, N.E. 28th Floor
Atlanta, Georgia 30303

Notices (other than Borrowing notices and Notices of Conversion/Continuation):

Address: 191 Peachtree Street, N.E. 28th Floor
Atlanta, Georgia 30303
Attention: Frances Josephic
Telephone: (404) 332-4132
sdxFacsimile: (404) 332-6898

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

To Bank of America National Trust and Savings Association (individually and as Agent) and the other Banks parties to the Amended and Restated Credit Agreement dated as of July 8, 1997 (as amended or otherwise modified, the "Agreement") with Deluxe Corporation

This certificate is furnished to you pursuant to Section 6.02(a) of the

Agreement concurrently with the delivery of the financial statements required pursuant to Section 6.01 (a) and (b) of the Agreement. Terms not otherwise defined herein are used herein as defined in the Agreement.

The Company hereby certifies to you that:

(A) no Default or Event of Default has occurred and is continuing, except as described in Attachment 1 hereto;

(B) the computations set forth below are true and correct as of _____, 19__(1) (the "Computation Date");

(C) if the financial statements of the Company being concurrently delivered were not prepared in accordance with GAAP, Attachment 2 hereto sets forth any derivations required to conform the relevant data in such financial statements to the computations set forth below; and

(D) there have been no changes in accounting policies or financial reporting practices of the Company or any of its Subsidiaries since the date of the last compliance certificate delivered to you.

(1) Section 7.10 Interest Coverage

| | | |
|---|---|---|
| (a) | Ratio of Earnings Before Interest and Taxes to Interest Expense under Section 7.10 | ___ to 1.0 |

- --------

(1) The last day of the accounting period for which financial statements are being concurrently delivered.

| | | |
|---|---|---|
| (b) | Maximum ratio of Earnings Before Interest and Taxes to Interest Expense permitted under Section 7.10 | 2.5 to 1.0 |

(2) Section 7.11 Leverage

| | | |
|---|---|---|
| (a) | Ratio of Funded Debt to Total Capitalization under Section 7.11 | ___ to 1.0 |
| (b) | Maximum ratio of Funded Debt to Total Capitalization permitted under Section 7.11 | 0.60 to 1.0 |

Dated this _____ day of _____, 19__.

DELUXE CORPORATION

By:_____

Its:_____

Schedule A

List of Lenders

Bank of America National Trust
and Savings Association, as a Lender

Facsimile: (312) 974-6518

[LENDER]

Facsimile: (___) ___-____

[LENDER]

Facsimile: (___) ___-____

[LENDER]

Facsimile: (___) ___-____

[LENDER]

Facsimile: (___) ___-____

EXHIBIT B

FORM OF NOTICE OF BORROWING

Date: _____, 199_

To: Bank of American National Trust and Savings Association as Agent for the Banks parties to the Amended and Restated Credit Agreement dated as of July 8, 1997 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Deluxe Corporation, certain Banks which are signatories thereto and Bank of America National Trust and Savings Association, as Agent.

Ladies and Gentlemen:

The undersigned, Deluxe Corporation, (the "Company"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.03 of the Credit Agreement, of the Committed Borrowing specified herein:

1. The Borrowing Date of the proposed Borrowing is _____, 19___.

2. The aggregate amount of the proposed Borrowing is $_____.

3. The Borrowing is to be comprised of $_____ of [Offshore Rate] [Base Rate] Committed Loans.

4. [If applicable:] The duration of the Interest Period for the Offshore Rate Committed Loans included in the Borrowing shall be ____ months.

The undersigned hereby certifies that the following statements are true as of the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Company contained in Article V of the Credit Agreement are true and correct as though made on and as of such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true and correct as of such earlier date);

(b) no Default or Event of Default shall exist or shall result from such proposed Borrowing; and

(c) The proposed Borrowing will not cause the aggregate principal amount of all outstanding Committed Loans together with the aggregate principal amount of all outstanding Bid Loans, to exceed the combined Commitments.

DELUXE CORPORATION

By: _____

Title: _____

EXHIBIT C

FORM OF NOTICE OF CONVERSION/CONTINUATION

Date: _____, 199__

To: To: Bank of American National Trust and Savings Association as Agent for the Banks parties to the Amended and Restated Credit Agreement dated as of July 8, 1997 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among Deluxe Corporation, certain Banks which are signatories thereto and Bank of America National Trust and Savings Association, as Agent.

Ladies and Gentlemen:

The undersigned, Deluxe Corporation (the "Company"), refers to the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.04 of the Credit Agreement, of the [conversion] [continuation] of the Committed Loans specified herein, that:

1. The Conversion/Continuation Date is _____, 19___.

2. The aggregate amount of the Loans to be [converted] [continued] is $_____.

3. The Loans are to be [converted into] [continued as] [Offshore Rate] [Base Rate] Committed Loans.

4. [If applicable:] The duration of the Interest Period for the Loans included in the [conversion] [continuation] shall be _____ months.

The undersigned hereby certifies that the following statements are true as of the proposed Conversion/Continuation Date, before and after giving effect thereto and to the application of the proceeds therefrom;

(a) the representations and warranties of the Company contained Article V of the Credit Agreement are true and correct as though made on and as of such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true and correct as of such earlier date);

(b) no Default or Event of Default shall exist or shall result from such proposed [conversion] [continuation]; and

(c) the proposed [conversion] [continuation] will not cause the aggregate principal amount of all outstanding Committed Loans together with the aggregate principal amount of all outstanding Bid Loans, to exceed the combined Commitments.

DELUXE CORPORATION

By: _____

Title: _____

EXHIBIT D

FORM OF INVITATION FOR COMPETITIVE BIDS

Via Facsimile

To the Banks Listed on Schedule A attached hereto:

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement dated as of July 8, 1997 (as amended from time to time, the "Credit Agreement"), among Deluxe Corporation (the "Company"), the Banks party thereto, and Bank of America National Trust and Savings Association, as Agent for the Banks (the "Agent"). Capitalized terms used herein have the meanings specified in the Credit Agreement.

Pursuant to subsection 2.06(b) of the Credit Agreement, you are hereby invited to submit offers to make Bid Loans to the Company based on the following specifications:

1. Borrowing date: _____, 199__;

2. Aggregate amount requested by the Company; $ _____.

3. [LIBOR Bid Loans] [Absolute Rate Bid Loans]; and

4. Interest Period[s]: _____, [_____] and [_____]

All Competitive Bids must be in the form of Exhibit F to the Credit Agreement. Please respond to this invitation by no later than 6:30 a.m. (unless the invitation is from the Agent on behalf of the Company, in which case for BofA only, 6:15 a.m.) (San Francisco time) on _____, 19__.(1) [This invitation is from the Agent on behalf of the Company and your response should be submitted to the agent.](2) [This invitation is from the Company and your response should be submitted directly to the Company.](3)

- ----------

(1) Insert a date which is three Business Days prior to the date of Borrowing, in the case of a LIBOR Auction, or on the date of Borrowing, in the case of an Absolute Rate Auction.

(2) To be included if the invitation is made by the Company through the Agent.

(3) To be included if the invitation is made by the Company directly to the Banks.

Schedule A

List of Banks

Bank of America National Trust
and Savings Association, as a Bank

[Bank]

Facsimile: (___) ___- _____

[Bank]

Facsimile: (___) ___- _____

[Bank]

Facsimile: (___) ___- _____

[Bank]

Facsimile: (___) ___- _____

EXHIBIT E

FORM OF COMPETITIVE BID REQUEST

_____, 199_

Bank of America National Trust
and Savings Association,
as Agent
1455 Market Street, 12th Floor
San Francisco, CA 94103
Attention: Agency Management Service #5596

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit Agreement dated as of July 8, 1997 (as amended from time to time to time, the "Credit Agreement"), by and among Deluxe Corporation (the "Company"), the Banks party thereto, and Bank of America National Trust and Savings Association, as Agent for the Banks (the "Agent"). Capitalized terms used herein have the meanings specified in the Credit Agreement.

This is a Competitive Bid Request for Bid Loans pursuant to Section 2.06(a) of the Credit Agreement as follows:

(i) The Business Day of the proposed Bid Borrowing is _____, 199__.

(ii) The aggregate amount of the proposed Bid Borrowing is $_____.

(iii) The proposed Bid Borrowing to be made pursuant to Section 2.06 shall be comprised of [LIBOR] [Absolute Rate] Bid Loans.

(iv) The Interest Period[s[ for the Bid Loans comprised in the Borrowing shall be _____, [_____] and [_____].

DELUXE CORPORATION

By: _____

Title: _____

EXHIBIT F

FORM OF COMPETITIVE BID

_____, 199___

[Bank of American National Trust
and Savings Association,
as Agent
1455 Market Street, 12th Floor
San Francisco, CA 94103

Attention: Agency Management Services #5596](1)

]Deluxe Corporation

_____

_____

Attention: _____](2)

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit Agreement dated as of July 8, 1997 (as amended from time to time, the "Credit Agreement"), by and among Deluxe Corporation (the "Company"), the Banks party thereto, and Bank of America National Trust and Savings Association, as Agent for the Banks (the "Agent"). Capitalized terms used herein have the meanings specified in the Credit Agreement.

In response to the Invitation for Competitive Bids dated _____, 199___ and in accordance with subsection 2.06(c)(ii) of the Credit Agreement, the undersigned Bank offers to make [a] Bid Loan[s] thereunder in the following principal amount[s] at the following interest rates for the following Interest Period[s]:

Date of Borrowing: _____, 199___

Aggregate Maximum Bid Amount: $_____

(1) To be addressed to the Agent if the Agent sent the Invitation for Competitive Bids.

(2) To be addressed directly to the Company if the Company sent the Invitation for Competitive Bids.

<TABLE>
<CAPTION>

| <S> | <C> | <C> |
|---|---|---|
| Principal Amount $_____ | Principal Amount $ _____ | Principal Amount $ _____ |
| Interest: [Absolute Rate __%, __%, __%](3) | Interest: [Absolute Rate __%, __%, __%](3) | Interest: [Absolute Rate __%, __%, __%](3) |
| or [LIBOR Bid Margin +/- __%, +/- __%, +/- __%](3) | or [LIBOR Bid Margin +/- __%, +/- __%, +/- __%](3) | or [LIBOR Bid Margin +/- __%, +/- __%, +/- __%](3) |
| Interest Period _____ | Interest Period _____ | Interest Period _____ |

[NAME OF BANK]

By: _____

Title: _____

</TABLE>

(3) Interest rate may be quoted to five decimal places.

EXHIBIT G

FORM OF BID LOAN NOTE

The undersigned for value received, promises to pay to the order of _____ (herein called the Bank), at the offices of Bank of American National Trust and Savings Association located at 1850 Gateway Boulevard, Concord, California 94520 (herein called the Agent) or at such other offices as the Agent may specify from time to time, the principal amount of each Bid Loan made by the Bank to the undersigned from time to time from the date hereof up to the Revolving Termination Date pursuant to Section 2.06 of that certain Amended and Restated Credit Agreement dated as of July 8, 1997, as amended, supplemented or otherwise modified from time to time (herein called the Credit Agreement) by and between the undersigned, various banks (including the Bank) and the Agent, on the last day of the Interest Period for such Bid Loan. In any event, the aggregate unpaid principal amount of all Bid Loans shall be due and payable on the Revolving Termination Date.

The aggregate unpaid principal amount from time to time of Bid Loans made by the Bank to the undersigned shall bear interest until paid at the rate(s) per annum as agreed to by the Bak and the undersigned pursuant to the Credit Agreement, payable at such time(s) as is therein provided.

All capitalized terms appearing herein are, unless otherwise indicated, used with the meanings assigned to such terms in the Credit Agreement.

This promissory note is one of the Bid Loan Notes issued pursuant to the Credit Agreement and evidences indebtedness of the undersigned incurred under, and is subject to the terms and provisions of, the Credit Agreement (and, if amended, all amendments thereto), to which reference is hereby made for a statement of said terms and provisions.

The principal hereof and interest hereon are payable in lawful money of the United States of America in immediately available funds. Prior to any transfer of this Note to the extent allowed under the Credit Agreement, each Bid Loan made by the Bank to the undersigned under the Credit Agreement (including any refinancing thereof), the interest rate and Interest Period applicable thereto and all payments of principal hereof by the undersigned to the Bank shall be endorsed on a grid schedule or grid schedules in the form of the schedule attached hereto and by this reference thereto made a part of this Note. Notwithstanding the foregoing, the failure to make, or an error in making, such endorsement shall not in any manner affect the obligation of the undersigned hereunder.

THIS NOTE HAS BEEN MADE UNDER AND IS GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

DELUXE CORPORATION

By: _____

Title: _____

Address:

3680 Victoria Street North
Shoreview, MN 55126-2966

<TABLE>
<CAPTION>

SCHEDULE

| Date | Amount of Bid Loan | Interest Rate | Maturity of Interest Period | Interest Paid | Amount of Principal Repaid | Outstanding Balance | Name of Person Making Notation |
|---|---|---|---|---|---|---|---|

<S> <C>

</TABLE>

EXHIBIT H

BANK'S RESPONSE TO PRO RATA COMMITMENT INCREASE REQUEST

SUPPLEMENT, dated _____, 19____, to the Amended and Restated Credit Agreement, dated as of July 8, 1997 (as amended from time to time, the "Agreement"), among DELUXE CORPORATION (the "Company"), the banks parties thereto (individually a "Bank" and collectively the "Banks"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent for the Banks (the "Agent").

W I T N E S S E T H :

WHEREAS, the Agreement provides, pursuant to Section 2.09 thereof, that the Company may request the Banks to increase the aggregate Commitments, and each Bank has the option, in its sole discretion, to subscribe for its proportionate share of such requested increase, according to its then existing Pro Rata Share, by executing and delivering to the Company and the Agent a supplement to the Agreement in substantially the form of this Supplement; and

WHEREAS, at the Company's request the undersigned now desires to increase the amount of its Commitments under the Agreement;

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. The undersigned agrees, subject to the terms and conditions of the Agreement, that on the date this Supplement is accepted by the Company and the Agent, it shall have its Commitment to the Company increased by $_____, thereby making the amount of its Commitment $_____.

2. Terms defined in the Agreement shall have their meanings defined therein when used herein.

IN WITNESS WHEREOF, the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

_____

By: _____

Title: _____

Accepted this ____ day of _____, 199___.

DELUXE CORPORATION

By: _____

Title: _____

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

By: _____

Title: _____

EXHIBIT I

SUPPLEMENT FOR NON-PRO RATA COMMITMENT INCREASE (EXISTING BANK)

SUPPLEMENT, dated _____, 19__, to the Amended and Restated Credit Agreement, dated as of July 8, 1997 (as amended from time to time, the "Agreement"), among DELUXE CORPORATION (the "Company"), the banks parties

thereto (individually a "Bank" and collectively the "Banks"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent for the Banks (the "Agent").

W I T N E S S E T H :

WHEREAS, the Agreement provides, pursuant to Section 2.09 thereof, that in the event all of the Banks do not subscribe for their proportionate share of an increase in the aggregate Commitments requested by the Company pursuant to such section then a Bank may subscribe for a non-proportionate increase in its Commitment, by executing and delivering to the Company and the Agent a supplement to the Agreement in substantially the form of this Supplement; and

WHEREAS, at the Company's request the undersigned now desires to increase the amount of its Commitments under the Agreement;

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. The undersigned agrees, subject to the terms and conditions of the Agreement, that on the date this Supplement is accepted by the Company and the Agent, it shall have its Commitment to the Company increased by $_____, thereby making the amount of its Commitment $_____.

2. Terms defined in the Agreement shall have their meanings defined therein when used herein.

IN WITNESS WHEREOF, the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

_____

By: _____

Title: _____

Accepted this ___ day of _____, 199__.

DELUXE CORPORATION

By: _____

Title: _____

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

By: _____

Title: _____

EXHIBIT J

SUPPLEMENT FOR COMMITMENT INCREASE (NEW BANK)

SUPPLEMENT, dated _____, 19__, to the Amended and Restated Credit Agreement, dated as of July 8, 1997 (as amended from time to time, the "Agreement") among DELUXE CORPORATION (the "Company"), the banks parties thereto (individually a "Bank" and collectively the "Banks"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent for the Banks (the "Agent").

W I T N E S S E T H :

WHEREAS, the Agreement provides, pursuant to Section 2.09 thereof, that any bank meeting the qualifications of an Eligible Assignee, although not originally a party thereto, may become a party to the Agreement with the consent of the Company and the Agent by executing and delivering to the Company and the Agent a supplement to the Agreement in substantially the form of this Supplement; and

WHEREAS, the undersigned was not an original party to the Agreement but now desires to become a party thereto;

NOW, THEREFORE, the undersigned hereby agrees as follows:

1. The undersigned agrees to be bound by the provisions of the Agreement and agrees that, on the date of this Supplement is accepted by the Company and the Agent, it shall become a Bank for all purposes of the Agreement to the same extent as if originally a party thereto. The undersigned agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Agreement are required to be performed by it as a Bank, including the requirements concerning confidentiality.

2. As of the acceptance date noted below, the amount of the Commitment of the undersigned shall be
$_____.

3. The following administrative details apply to the undersigned:

(A) Domestic Lending Office:

Name: _____
Address: _____
_____
_____
Attention: _____
Telephone: ( ) _____
Facsimile: ( ) _____

(B) Offshore Lending Office:

Name: _____
Address: _____
_____
_____
Attention: _____
Telephone: ( ) _____
Facsimile: ( ) _____

(C) Notice Address:

Name: _____
Address: _____
_____
_____
Attention: _____
Telephone: _____
Facsimile: _____

(D) Payment Instructions:

Account No.: _____
At: _____
_____
_____
Reference: _____
Attention: _____

4. The undersigned (a) acknowledges that it has received a copy of the Agreement and the Schedules and Exhibits thereto, together with copies of the financial statements refered to in Section 6.01 of the Agreement, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into the Agreement; and (b) agrees that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Agreement.

5. The undersigned agrees to comply with Sections 3.01 and 9.10 of the Agreement (if applicable).

6. The undersigned represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Supplement and any other documents required or permitted to be executed or delivered by it in connection with this Supplement, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any person are required (other than any already given or obtained) for its due execution, delivery and performance of this Supplement; and apart from any agreements or undertaking or filings required by the Agreement, no further action by, or notice to, or filing with, any person is required of it for such execution, delivery or performance; (iii) this Supplement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the undersigned, enforceable against the undersigned in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

7. Terms defined in the Agreement shall have their meanings defined therein when used herein.

IN WITNESS WHEREOF, the undersigned has caused this Supplement to be executed and delivered by a duly authorized officer on the date first above written.

_____

By: _____

Title: _____

Accepted this ____ day of _____, 199_.

DELUXE CORPORATION

By: _____

Title: _____

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Agent

By: _____

Title: _____

EXHIBIT K

Form of Opinion of Counsel to the Company

July 8, 1997

Bank of America National Trust and
Savings Association, as Agent

Each of the Banks referred to as the
Banks in the Agreement mentioned below

c/o Bank of America National Trust and
Savings Association
1455 Market Street, 12th Floor
San Francisco, California 94103

Ladies and Gentlemen:

This opinion is furnished to you in connection with the execution and delivery of the Amended and Restated Credit Agreement dated as of July 8, 1997 between Deluxe Corporation, a Minnesota corporation (the "Company") and Bank of America National Trust and Savings Association as Agent (the "Agent") for the Banks named on the signature pages thereto (the "Banks") (the "Agreement").

The undersigned is Senior Vice President, General Counsel and Secretary of the Company. In rendering this opinion, I have consulted with other officers of the Company, outside counsel, and other attorneys within the Company's Law Department, as I have deemed appropriate for purposes of this opinion.

This opinion is provided pursuant to Section 4.01(d) of the Agreement. Capitalized terms not otherwise defined herein have the respective meanings set forth in the Agreement.

In connection with this opinion, I, or other attorneys within the Company's Law Department, have reviewed the Agreement, the Notes, the other Loan Documents (collectively, the "Loan Documents"), and such other documents as I have deemed necessary and appropriate for purposes of this opinion, including, without limitation, the Amended Articles of Incorporation and the Amended By-laws of the Company. In addition, I, or other attorneys within the Company's Law Department, have investigated such questions of law (including where deemed appropriate, consulting with outside counsel) and reviewed such certificates of government officials and information from

officers and representatives of the Company as I have deemed necessary or appropriate for the purposes of this opinion.

In rendering the opinions expressed below, I have assumed, with the Bank's permission and without verification:

(a) the authenticity of all Loan Documents submitted to me as originals,

(b) the genuineness of all signatures,

(c) the legal capacity of natural persons,

(d) the conformity to originals of the Loan Documents submitted to me as copies,

(e) the due authorization, execution and delivery of the Loan Documents by the parties thereto other than the Company, and

(f) that the Loan Documents constitute the valid, binding and enforceable obligations of the parties thereto other than the Company.

Based on the foregoing, and subject to the qualifications set forth below, I am of the opinion that:

1. The Company and each of its Material Subsidiaries, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified to conduct business under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect (as defined in the Agreement). The Company has the requisite corporate power to execute, deliver and perform its obligations under the Loan Documents.

2. The execution, delivery and performance by the Company of the Loan Documents to which the Company is a party have been duly authorized by all requisite corporate action. The Loan Documents have been duly executed and delivered by the Company and constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms.

3. The execution and delivery by the Company of the Loan Documents to which the Company is a party, and the performance by the Company of its obligations thereunder, do not and will not (a) violate any provision of law, statute, rule or regulation or any order, writ, judgment, injunction, decree, determination or award of any court, governmental agency or arbitrator presently in effect having applicability to the Company, (b) violate any provision of the Amended Articles of Incorporation or Amended By-laws of the Company, (c) result in breach or constitute a default under any

indenture, loan or credit agreement or any other material agreement, lease or instrument known to me to which the Company is a party or by which it or any of its properties may be bound or result in the creation of a Lien thereunder.

4. No order, consent, approval, license, authorization or validation of, or filing, recording, or registration with, or exemption by, any governmental or public body or authority is required on the part of the Company to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity or binding effect or enforceability of, the Loan Documents.

5. Except as disclosed on Schedule 5.05 of the Agreement, there are no actions, suits or proceedings pending or, to the best of my knowledge, overtly threatened against or affecting the Company or any of its properties before any court or arbitrator, or any governmental department, board, agency or other instrumentality which (i) challenge the legality, validity or enforceability of the Loan Documents, or (ii) would reasonably be expected to have a Material Adverse Effect.

6. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

7. There is no litigation pending or, to the best of my knowledge, threatened, alleging that any slogan or other advertising device, product, process, method, substance, part or other material now employed by the Company or any Subsidiary infringes upon any rights of any other Person which would reasonably be expected to have a Material Adverse Effect.

8. The making of the Loans contemplated by the Agreement, and the use of the proceeds thereof as provided in the Agreement, does not violate Regulations G, U or X of the FRB.

The opinions set forth above are subject to the following qualifications and exceptions:

(a) I express no opinion as to the laws of any jurisdiction other than the

State of Minnesota and the federal laws of the United States of America. I call to your attention the fact that the Loan Documents provided that they are to be governed by the laws of the State of New York. For purposes of my opinion concerning the enforceability of the Loan Documents, I have assumed, with your permission, that the laws of the State of New York are the same in all material respects as the laws of the State of Minnesota.

(b) My opinions are subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent transfer or other similar law of general application affecting creditors' rights generally.

(c) My opinions are subject to the effect of general principles of equity and concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law).

(d) My opinion with respect to the enforceability of the provisions of the Agreement is qualified to the extent that the provision that terms contained therein may not be waived or modified except in writing may be limited under certain circumstances.

(e) My opinion with respect to the enforceability of the provisions of the Agreement is further qualified to the extent that the availability of specific performance, injunctive relief and other equitable remedies is subject to the discretion of the tribunal before which any proceeding therefor may be brought.

(f) I express no opinion as to the enforceability of the Loan Documents to the extent they contain:

(i) choice of law or forum selection provisions,

(ii) waivers by the Company of any statutory or constitutional rights or remedies, or

(iii) grants to the Agent or Banks of powers of attorney.

(g) I express no opinion as to (i) the enforceability of provisions of the Loan Documents to the extent they contain cumulative remedies which purport to compensate, or would have the effect of compensating, the party entitled to the benefits thereof in an amount in excess of the actual loss suffered by such party, or (ii) the enforceability of the Company's obligation to pay any default interest rate if the payment of such interest rate may be construed as unreasonable in relation to actual damages or grossly disproportionate to actual damages suffered by the Agent or the Banks as a result of such default.

(h) I express no opinion as to compliance or the effect of noncompliance by the Agent or the Banks or any subsequent holder of the Notes with any state or federal laws or regulations applicable to the Agent or the Banks or such holder in connection with the transactions described in the Agreement.

(i) My opinion as to the enforceability of the Loan Documents is subject to the effect of Minnesota Statutes 290.371, Subd. 4.

(j) My opinions, insofar as they relate to the enforceability of indemnification provisions, are subject to the effect of federal and state securities laws and public policy relating thereto. I express no opinion with respect to the enforceability of any provision of the Loan Documents which purports to excuse the Agent or Banks from liability for, or

require the Company to indemnify the Agent or the Banks against, the Agent or the Bank's negligence or willful misconduct.

(k) My opinion is limited solely to facts and laws existing as of the date hereof.

The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person except any Participant or Assignee without my prior written consent. By your acceptance, you acknowledge that this opinion is given without personal recourse of any nature to me individually.

Very truly yours,

John H. LeFevre
Senior Vice President,
General Counsel
and Secretary

EXHIBIT L

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Agreement") dated as of _____, 19__ is made between _____ _____ (the "Assignor") and _____ _____ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Amended and Restated Credit Agreement dated as of July 8, 1997 among DELUXE CORPORATION, a Minnesota corporation (the "Company"), the banks parties thereto (including the Assignor, the "Banks"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent (as from time to time amended, modified or supplemented, the "Credit Agreement"). Any terms defined in the Credit Agreement and not defined in this Agreement are used herein as defined in the Credit Agreement;

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to make Committed Loans to the Company in an aggregate amount not to exceed $_____ (the "Commitment");

WHEREAS, [the Assignor has made Committed Loans in the aggregate principal amount of $_____ to the Company] [no Committed Loans are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee [part of the] [all] rights and obligations of the Assignor under the Credit Agreement in respect of its Commitment, [together with a corresponding portion of each of its outstanding Committed Loans,] in an amount equal to $_____ (the "Assigned Amount") on the terms and subject to the conditions set forth herein, and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

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

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Agreement, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without

recourse and without representation or warranty (except as provided in this Agreement) ___% (the "Assignee's Percentage Share") of (A) the Commitment [and the Committed Loans] of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Credit Agreement and the Loan Documents.

[If appropriate, add paragraph specifying payment to Assignor by Assignee of outstanding principal of, accrued interest on, and fees with respect to, Committed Loans assigned.]

(b) With effect on and after the Effective Date (as defined herein), the Assignee shall be a party to the Credit Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Bank under the Credit Agreement, including the requirements concerning confidentiality, with a Commitment in an amount equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Amount and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee.

(c) After giving effect to the assignment and assumption, on the Effective Date the Assignee's Commitment will be $_____ and the Assignor's remaining Commitment will be $_____.

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1, the Assignee shall pay to the Assignor on

the Effective Date in immediately available funds an amount equal to $_____, representing the Assignee's Percentage Share of the principal amount of all Committed Loans previously made, and currently owed, by the Company to the Assignor under the Credit Agreement and outstanding on the Effective Date.

(b) The [Assignor] [Assignee] further agrees to pay to the Agent a processing fee in the amount specified in Section 10.08(a) of the Credit Agreement.

3. Reallocation of Payments.

Any interest, fees and other payments accrued prior to the Effective Date with respect to the Committed Loans and the Commitment shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of the Assignee. Each of the Assignor and the Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding two sentences and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision.

The Assignee (a) acknowledges that it has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, together with copies of the financial statements referred to in Section 6.01 of the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Agreement; and (b) agrees that it will, independently and without reliance upon the Assignor, the Agent, the Arranger or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement.

5. Effective Date; Notices.

(a) As between the Assignor and the Assignee, the effective date for this Agreement shall be _____, 199_ (the "Effective Date"); provided that the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Agreement shall be executed and delivered by the Assignor and the Assignee;

(ii) the written consent of the Company and the Agent required for an effective assignment of the Assigned Amount by the Assignor to the Assignee under Section 10.08(a) of the Credit Agreement shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Agreement;

(iv) the Assignor and the Assignee shall have complied with Sections 3.01 and 9.10 of the Credit Agreement (if applicable); and

(v) the processing fee referred to in Section 2(b) hereof and in Section 10.08(a) of the Credit Agreement shall have been paid to the Agent.

(b) Promptly following the execution of this Agreement, the Assignor shall deliver to the Company and the Agent for acknowledgement by the Agent, a Notice of Assignment in the form attached hereto as Schedule 1.

[6. Agent [INCLUDE ONLY IF ASSIGNOR IS AGENT].

(a) The Assignee hereby appoints and authorizes the Assignor to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the Banks pursuant to the terms of the Credit Agreement.

(b) The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Agent under the Credit Agreement.]

7. Withholding Tax.

The Assignee agrees to comply with Sections 3.01 and 9.10 of

the Credit Agreement (if applicable).

8. Representations and Warranties.

(a) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any lien, security interest or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Agreement and any other documents required or permitted to be executed or delivered by it in connection with this Agreement and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any person are required (other than any already given or obtained) for its due execution, delivery and performance of this Agreement, and apart from any agreements or undertaking or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any person is required of it for such execution, delivery or performance; and (iv) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity,

enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Company, or the performance or observance by the Company, of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Agreement and any other documents required or permitted to be executed or delivered by it in connection with this Agreement, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any person are required (other than any already given or obtained) for its due execution, delivery and performance of this Agreement; and apart from any agreements or undertaking or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any person is required of it for such execution, delivery or performance; (iii) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

9. Further Assurances.

The Assignor and the Assignee each hereby agrees to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Agreement, including the delivery of any notices or other documents or instruments to the Company or the Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.

(a) Any amendment or waiver of any provision of this Agreement shall be in writing signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Agreement shall be without prejudice to any rights with respect to any other or further breach hereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) The Assignor and the Assignee shall each pay its own costs

and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement.

(d) This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK. The Assignor and the Assignee each irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York over any suit, action or proceeding arising out of or relating to this Agreement and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. Each party to this Agreement hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT, THE CREDIT AGREEMENT, ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN).

[Other provisions to be added as may be negotiated between the Assignor and the Assignee, provided that such provisions are not inconsistent with the Credit Agreement.]

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment and Acceptance Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

_____
Assignor

By:_____
Title:_____

Address:

_____
Assignee

By:_____
Title:_____

Address:

Schedule 1 to
Exhibit L

_____, 19___

Bank of America National Trust
and Savings Association,
as Agent
1455 Market Street - 12th Floor
San Francisco, California 94103
Attention: Agency Management Services

Deluxe Corporation
_____
_____
_____
Attention:_____

Ladies and Gentlemen:

We refer to the Amended and Restated Credit Agreement dated as of July 8, 1997 (the "Credit Agreement") among Deluxe Corporation (the "Company"), the Banks referred to therein, and Bank of America National Trust and Savings Association, as Agent. Terms defined in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of, and request the consent of the Company and the Agent to, the assignment by _____ (the "Assignor") to _____ (the "Assignee") of ___% of the right, title and interest of the Assignor in and to the Credit Agreement (including, without limitation, the right, title and interest of the Assignor in and to the Commitment of the Assignor and all outstanding Committed Loans made by the Assignor) pursuant to that certain Assignment and Acceptance Agreement, dated _____, 19___ (the "Assignment and Acceptance Agreement"), by and between Assignor and Assignee, a copy of which Assignment and Acceptance Agreement is attached hereto. Before giving effect to such assignment the Assignor's Commitment is $_____ and the aggregate principal amount of its outstanding Committed Loans is $_____.

2. The Assignee agrees that, upon receiving the written consent of the Company and the Agent to such assignment and from and after the Effective Date (as such term is defined in Section 5 of the Assignment and Acceptance Agreement), the Assignee will be bound by the terms of the Credit Agreement, with respect to the interest in the Credit Agreement assigned to it as specified above, as fully and to the same extent as if the Assignee were the Bank originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the Assignee:

(A) Domestic Lending Office:

Assignee name:_____
Address:_____
_____
_____
_____
Attention:_____
Telephone: (  )_____
Facsimile: (  )_____

(B) Offshore Lending Office:

Assignee name:_____
Address:_____
_____
_____
_____
Attention:_____
Telephone: (  )_____
Facsimile: (  )_____

(C) Notice Address:

Assignee name:_____
Address:_____
_____
_____
_____
Attention:_____
Telephone: (  )_____
Facsimile: (  )_____

(D) Payment Instructions:

Account No.:_____
At:_____
_____
_____
_____
Reference:_____
Attention:_____

This Notice of Assignment may be executed by the Assignor and the Assignee in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same notice and agreement.

Adjusted Commitment:

$_____

[ASSIGNOR]

By_____

Title_____

Commitment:

[ASSIGNEE]

$_____

By_____

Title_____

ACKNOWLEDGED this _____ day of
_____, 19__:

DELUXE CORPORATION

By_____

Title_____

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as Agent

By_____

Title_____

Exhibit 10.2

# DELUXE CORPORATION STOCK INCENTIVE PLAN
(AS AMENDED OCTOBER 31, 1997)

## SECTION 1. PURPOSE.

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

## SECTION 2. DEFINITIONS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. ADMINISTRATION.

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

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

SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(c), the number of shares available for granting awards under the plan shall be 7,000,000. Shares to be issued under the plan may be either shares reacquired or authorized but unissued shares. If any shares covered by an award or to which an award relates are not purchased or are forfeited, or if an award otherwise terminates without delivery of any shares, then the number of shares counted against the aggregate number of shares available under the plan with respect to such award, to the extent of any such forfeiture or termination, shall again be available for grants under the plan. Shares delivered in payment of the option exercise price of an option containing a reload option feature shall again be available for granting awards under the plan (other than incentive stock options) to the extent that the number of shares so delivered are made subject to an option granted pursuant to the said reload option feature. Shares delivered in payment of the option exercise price of an option not containing a reload option feature shall again be available for granting awards under the plan (other than incentive stock options) to the extent that the number of shares so delivered are made subject to an option granted pursuant to section 6(a)(v).

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

(c) ADJUSTMENTS. In the event that the committee shall determine that any dividend or other distribution (whether in the form of cash, shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other securities of the Company, issuance of

warrants or other rights to purchase shares or other securities of the Company or other similar corporate transaction or event affects the shares such that an adjustment is determined by the committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the plan, then the committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of shares (or other securities or other property) which thereafter may be made the subject of awards, (ii) the number and type of shares (or other securities or other property) subject to outstanding awards and (iii) the purchase or exercise price with respect to any award; provided, however, that the number of shares covered by any award or to which such award relates shall always be a whole number.

(d) AWARDS LIMITATION UNDER THE PLAN. No eligible person may be granted any award or awards under the plan (including the Company's performance share plan) of more than 200,000 shares, in the aggregate, in any calendar year. The foregoing limitation shall not include any shares acquired pursuant to the annual incentive plan. Furthermore, no more than 1,000,000 shares, in the aggregate, may be issued under the plan (including the Company's performance share plan) in the form of either restricted stock or restricted stock units or any combination thereof.

SECTION 5. ELIGIBILITY.

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

SECTION 6. AWARDS.

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

(i) EXERCISE PRICE. The purchase price per share purchasable under an option shall be determined by the committee; provided, however, that such purchase price shall not be less than 100 percent of the fair market value of a share on the date of grant of such option.

(ii) OPTION TERM. The term of each option shall be fixed by the committee.

(iii) TIME AND METHOD OF EXERCISE. The committee shall determine the time or times at which an option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, shares, promissory notes, other securities, other awards or other property, or any combination thereof, having a fair market value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(iv) RELOAD OPTION FEATURE. The committee may determine, in its discretion, whether to grant an option containing a reload option feature and whether any reload option issued upon the exercise of an option containing a reload option feature may itself contain a reload option feature.

(v) ISSUANCE OF OPTIONS TO REPLACE SHARES. The committee may determine, in its discretion, whether to grant to a participant who exercises by delivery of shares in payment of all or any portion of the exercise price an option, previously or hereafter granted under the plan, that does not contain a reload option feature, an option to acquire the number of shares so delivered (or such lesser number as the committee may determine), provided that the option term of such option shall not end later than the option term of the option so exercised.

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

(c) RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The committee is hereby authorized to grant awards of restricted stock and restricted stock units to

participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the plan as the committee shall determine:

(i) RESTRICTIONS. Shares of restricted stock and restricted stock units shall be subject to such restrictions as the committee may impose (including, without limitation, any limitation on the right to vote a share of restricted stock or the right to receive any dividend or other right or property with respect thereto or with respect to a restricted stock unit), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the committee may deem appropriate.

(ii) STOCK CERTIFICATES. Any restricted stock granted under the plan shall be evidenced by issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such restricted stock. In the case of restricted stock units, no shares shall be issued at the time such awards are granted.

(iii) FORFEITURE; DELIVERY OF SHARES. Except as otherwise determined by the committee or provided in a plan governed by this Plan, upon termination of employment (as determined under criteria established by the committee) or, in the case of a director, service as a director during the applicable restriction period, all shares of restricted stock and all restricted stock units at such time subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the committee may, when it finds that a waiver would be in the best interest of the Company,

waive in whole or in part any or all remaining restrictions with respect to shares of restricted stock or restricted stock units. Any share representing restricted stock that is no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived. Upon the lapse or waiver of restrictions and the restricted period relating to restricted stock units evidencing the right to receive shares, such shares shall be issued and delivered to the holders of the restricted stock units, subject to the provisions of the plan and any applicable award agreement.

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

(e) DIVIDEND EQUIVALENTS. The committee is hereby authorized to grant to participants dividend equivalents under which such participants shall be entitled to receive payments (in cash, shares, other securities, other awards or other property as determined in the discretion of the committee) equivalent to the amount of cash dividends paid by the Company to holders of shares with respect to a number of shares determined by the committee. Subject to the terms of the plan and any applicable award agreement, such dividend equivalents may have such terms and conditions as the committee shall determine.

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

(g) GENERAL

(i) NO CASH CONSIDERATION FOR AWARDS. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the committee, be granted either alone or in addition to, in tandem with, or in substitution for any other award or any

award granted under any plan of the Company or any affiliate other than the plan. Awards granted in addition to or in tandem with other awards or in addition to or in tandem with awards granted under any such other plan of the Company or any affiliate, may be granted either at the same time as or at a different time from the grant of such other award or awards.

(iii) FORMS OF PAYMENTS UNDER AWARDS. Subject to the terms of the plan and of any applicable award agreement, payments or transfers to be made by the Company or an affiliate upon the grant, exercise or payment of an award may be made in such form or forms as the committee shall determine (including, without limitation, cash, shares, promissory notes, other securities, other awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred

payments or the grant or crediting of dividend equivalents with respect to installment or deferred payments.

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

(v) TERM OF AWARDS. The term of each award shall be for such period as may be determined by the committee.

(vi) RESTRICTIONS; SECURITIES EXCHANGE LISTING. All certificates for shares or other securities delivered under the plan pursuant to any award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the committee may deem advisable under the plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any shares or other securities covered by an award unless and until such shares or other securities have been admitted for trading on such securities exchange.

(vii) ATTESTATION. Where the plan or any applicable award agreement provides for or permits delivery of shares by a participant in payment with respect to any award or grant under this plan or for taxes, such payment may be made constructively through attestation in the discretion of and in accordance with rules established by the committee.

SECTION 7. AWARDS TO NON-EMPLOYEE DIRECTORS.

7.1 ELIGIBILITY. If this plan is approved by the shareholders of the Company at the annual meeting of the shareholders in 1994 (the 1994 annual meeting), shares of restricted stock shall be granted automatically under the plan to each member of the board of directors who is not an employee of the Company or of any affiliate of the Company (a non-employee director) under the terms and conditions contained in this Section 7. The authority of the committee under this Section 7 shall be limited to ministerial and non-discretionary matters.

7.2 ONE-TIME AWARD OF RESTRICTED STOCK. Upon the date of the 1994 annual meeting, each non-employee director in office following the meeting shall receive an award of 1,000 shares of restricted stock. These shares shall vest in three equal installments, on the dates of the annual shareholder meeting in each of the three succeeding years, if such director remains in office immediately following such meeting. In the event that in accordance with the Company's policy with respect to mandatory retirement of directors, any director is not nominated for election to serve as a director of the Company, all restricted stock so awarded shall immediately vest in full upon such director's retirement from the board. Subsequent to the date of the 1994 annual meeting, each non-employee director shall, upon the date of his or her initial election to the

board, receive an award of 1,000 shares of restricted stock subject to the same vesting restrictions. If a director ceases to be a director prior to the date on which the award is fully vested for any reason other than mandatory retirement, any unvested portion of the award shall terminate and be irrevocably forfeited. Such awards shall be subject to Sections 6(c), 9 and 10 of this plan.

7.3 STOCK COMPENSATION. Each non-employee director shall be eligible to receive or elect to receive his or her fees for service on the Company's board of directors and the committees thereof in shares or restricted stock units and to defer the receipt of such units, all as described in the Deluxe Corporation Non-Employee Director Stock and Deferral Plan attached hereto as Annex I and hereby made a part hereof.

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

SECTION 8. AMENDMENT AND TERMINATION; ADJUSTMENTS.

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

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

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

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

(iii) would cause the Company to be unable, under the Code, to grant incentive stock options under the plan.

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

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

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

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

SECTION 9. INCOME TAX WITHHOLDING.

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

SECTION 10. GENERAL PROVISIONS.

(a) NO RIGHTS TO AWARDS. No eligible person, participant or other person shall have any claim to be granted any award under the plan, and there is no obligation for uniformity of treatment of eligible persons,

participants or holders or beneficiaries of awards under the plan. The terms and conditions of awards need not be the same with respect to any participant or with respect to different participants.

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

(c) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the

plan shall prevent the Company or any affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

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

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

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

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

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

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

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

SECTION 11. SECTION 16(B) COMPLIANCE.

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

SECTION 12. EFFECTIVE DATE OF THE PLAN.

The plan shall be effective as of December 22, 1993, subject to approval by the shareholders of the Company within one year thereafter.

SECTION 13. TERM OF THE PLAN.

Unless the plan shall have been discontinued or terminated as provided in Section 8(a), the plan shall terminate on December 31, 2000. No award shall be granted after the termination of the plan, provided that nothing herein shall be construed to limit the issuance of options pursuant to an option containing a reload option feature or the provisions of section 6(a)(v). However, unless otherwise expressly provided in the plan or in an applicable award agreement, any award theretofore granted may extend beyond the termination of the plan, and the authority of the committee provided for hereunder with respect to the plan and any awards, and the authority of the board of directors of the Company to amend the plan, shall extend beyond the termination of the plan.

ANNEX I

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

1. Purpose of the Plan. The purpose of the Deluxe Corporation

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

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

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

4. Election to Receive Stock and Stock Issuance.

4.1. Election to Receive Stock in Lieu of Cash. On forms provided by the Company and approved by the Administrator, each Eligible Director may irrevocably elect ("Stock Election") to receive, in lieu of cash, shares of Common Stock having a Fair Market Value, as defined in Section 4.6, equal to 50% or more of the annual cash retainer and all meeting fees (including all committee retainers and meeting fees, the "Retainer") payable to that director for services rendered as a director. From and after January 1, 1998, all Eligible Directors will be deemed to have made such a Stock Election to receive shares of Common Stock with respect to no less than 50% of such Retainer and shall be deemed to be a participating director under this Plan

("Participating Director") to at least such extent. Except as provided in the preceding sentence, to be effective, any Stock Election must be filed with the Company (the date of such filing being the date of such election) no later than May 31 of each year (or by such other date as the Administrator shall determine) and shall apply only with respect to services as a director provided for the period of July 1 of that year through June 30 of the year following ("Fiscal Year"); provided, however, that an Eligible Director whose initial election to the Board of Directors occurs after May 31, shall have 30 days following such election to make a Stock Election, which shall apply only with respect to services as a director provided following the filing of such Stock Election with the Company during the then current or the ensuing Fiscal Year, as specified in the Stock Election. Upon adoption of the Plan in 1997, Eligible Directors shall be entitled to make a Stock Election at any time on or before December 31, 1997, with respect to services as a director provided during the period from January 1, 1998 through June 30, 1998. In the event that an Eligible Director shall fail to file with the Company the required form for making a Stock Election, such director shall be deemed to have made the same Stock Election that such director made with respect to the then current Fiscal Year, or in the absence of having made such Stock Election, to have elected to receive 50% of his or her Retainer in cash and 50% in Common Stock, and such election will be deemed to have been made on (i) May 31 in any year with respect to the ensuing Fiscal Year as aforesaid, (ii) the thirtieth day following initial election to the Board of new directors with respect to the current Fiscal Year only unless such date is within the period of May 31 through June 30 of that Fiscal Year, in which event the election shall be deemed made for both the current and next following Fiscal Years, and (iii) December 31, 1997 with respect to Deferral Elections for the period of January 1, 1998 through June 30, 1998 made by directors who are Eligible Directors on December 31, 1997, as applicable. Any Stock Election made in accordance with the provisions of this Section 4.1 shall be irrevocable for the period to which such election applies.

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

4.3. Manner of Making Deferral Election. A Participating Director may elect to defer payment of the Retainer otherwise payable in shares of Common Stock pursuant to this Plan by filing (the date of such filing being

the date of such election), no later than May 31 of each year (or by such other date as the Administrator shall determine) with respect to payments in the ensuing Fiscal Year, an irrevocable election with the Administrator on a form (the "Deferral Election Form") provided by the Administrator for that purpose ("Deferral Election"). Any portion of the Retainer to be paid in cash may not be deferred pursuant to the Plan. The special Stock Election rules set forth in Section 4.1 with respect to new directors and first elections under the Plan during 1997 shall also apply to the corresponding Deferral Elections. Failure timely to file a Deferral Election shall conclusively be deemed to mean that no election to defer has been made for the applicable period. The Deferral Election shall be effective for the Retainer payable (i) during the ensuing Fiscal Year with respect to elections made on or before May 31 of each year as aforesaid, (ii) for the portion of the Fiscal Year after the date the Deferral Election is made or the ensuing Fiscal Year as specified in the Deferral Election with respect to Deferral Elections made by new directors, and (iii) for the period of January 1, 1998 through June 30, 1998 with respect to Deferral Elections made by Eligible Directors on or before December 31, 1997. Any Deferral Election made in accordance with the provisions of this Section shall be irrevocable for the period to which such election applies. The Deferral Election form shall specify the amount to be deferred expressed as a percentage of the Participating Director's Retainer.

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

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

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

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

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

6. Deferral Payment.

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

6.2. Payment of Deferred Stock Accounts in a Lump Sum. Stock Units credited to a Participating Director's Deferred Stock Account shall be converted to an

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

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

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

8. Limitation on Rights of Eligible and Participating Directors.

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

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

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

10. Effective Date and Duration of the Plan. This Plan shall become effective as of October 31, 1997 and shall continue, unless terminated by action of the Board, until the expiration or termination of the SIP, provided that the expiration or termination of this Plan shall not affect any rights of Participating Directors with respect to their Deferral Accounts which shall continue to be governed by the provisions of this Plan until the final distribution of all Deferral Accounts established under this Plan.

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

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

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

B. During the period from the effective date of this Plan until final distribution to all Participating Directors of their Deferred Stock

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

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

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

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

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

(ii) "Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Exchange Act.

(iii) "Affiliate" shall mean a company controlled directly or indirectly by the Company, where "control" shall mean the right, either directly or indirectly, to elect a majority of the directors thereof without the consent or acquiescence of any third party.

13. Miscellaneous.

13.1 Securities Law and Other Restrictions. Notwithstanding any other provision of this Plan or any Stock Election or Deferral Election delivered pursuant to this Plan, the Company will not be required to issue any shares of Common Stock under this Plan and a Participating Director may not sell, assign, transfer or otherwise dispose of shares of Common Stock issued pursuant to this Plan, unless (a) there is in effect with respect to such shares a registration statement under the Securities Act of 1933, as amended (the "Securities Act") and any applicable state securities laws or an exemption from such registration under the Securities Act and applicable state securities laws, and (b) there has been obtained any other consent, approval or permit from any other regulatory body that the Administrator, in his or her sole discretion, deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing shares of Common Stock, as may be deemed necessary or advisable by the Company, in order to comply with such securities law or other restriction.

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

Exhibit 10.9

DELUXE CORPORATION
1998 DELUXESHARES PLAN

ARTICLE I
PURPOSE OF THE PLAN

The Deluxe Corporation 1998 DeluxeSHARES Plan is intended to recognize employee contributions and enhance the profitability and value of the Corporation by providing performance-based incentives and additional equity ownership opportunities to Eligible Employees of the Corporation and its Affiliates through a one-time grant during 1998 of Options to certain Eligible Employees.

ARTICLE II
DEFINITIONS OF TERMS AND RULES OF CONSTRUCTION

2.1 General Definitions. As used herein, the following capitalized terms have the following respective meanings.

(a) "Affiliate" means any corporation or limited liability company, a majority of the voting stock or membership interest of which is directly or indirectly owned by the Corporation.

(b) "Award" means any Option granted to an Eligible Employee pursuant to Article 6 of the Plan.

(c) "Award Certificate" means a statement issued by the Corporation certifying that a Participant has been granted an Award and containing applicable terms and conditions supplementing or amending those contained in the Award Term Sheet, including the number of Shares that are subject to the Award and the exercise price and expiration date of the Award.

(d) "Award Date" means the date an Award is granted under the Plan.

(e) "Award Term Sheet" means the document provided to or otherwise made available to a Participant which describes the Award granted to the Participant and sets forth the terms, conditions and restrictions of the Award. Unless otherwise determined by the Committee in its discretion, the Award Term Sheet will be in the form annexed to the Plan as Exhibit I.

(f) "Board" means the Corporation's board of directors.

(g) "Committee" means a Committee consisting of one or more officers of the Corporation, who are not Participants, designated from time to time by the Chief Executive Officer of the Corporation to administer the Plan.

(h) "Common Stock" means the Corporation's common stock, par value $1.00 per share.

(i) "Corporation" means Deluxe Corporation and its successors.

(j) "Disability" means a disability which would entitle a Participant to receive a disability benefit under the Corporation's long-term disability plan, as the same is from time to time in effect, whether or not the Participant is then participating in such plan.

(k) "Eligible Employee" means any person employed by the Corporation or an Affiliate other than a person who (i) is subject to Section 16 of the Exchange Act of 1934, as amended from time to time, as of the Award Date, (ii) receives an option to purchase Common Stock under the Deluxe Corporation Stock Incentive Plan (as amended, the "SIP") during the period from January 1, 1998 through March 31, 1998 or (iii) becomes an employee of the Corporation or any Affiliate at any other time during 1998 and receives an option to purchase Common Stock under the SIP in connection with such employment.

(l) "Fair Market Value" means the closing price for a given date of a Share traded on the New York Stock Exchange ("NYSE") as reported by the WALL STREET JOURNAL, MIDWEST EDITION or, in the absence of the sale of any Shares on the NYSE on a given date, such closing price for the immediately preceding business day in which a sale occurred.

(m) "Option" means a non-qualified stock option granted under the Plan to purchase shares of Common Stock and having such terms, conditions and restrictions as are provided in the Award

Certificate and Award Term Sheet.

(n) "Participant" means an Eligible Employee who is granted an Award under the Plan.

(o) "Plan" means this Deluxe Corporation 1998 DeluxeSHARES Plan, as amended from time to time.

(p) "Retirement" means any termination of employment with the Corporation or any of its Affiliates on or after the date on which the sum of a Participant's age and years of employment by the Corporation and/or any of its Affiliates equals at least seventy-five (75).

(q) "Severance" means any voluntary or involuntary termination of employment with the Corporation or any of its Affiliates as a result of which a Participant is entitled to receive severance payments pursuant to any severance plan or arrangement established by the Corporation or its Affiliates that is then on file with the United States Department of Labor.

(r) "Share" means one share of Common Stock.

2.2 Other Definitions. Other capitalized terms used herein and not defined above are defined where they first appear.

2.3 Conflicting Provisions. In the event of any conflict or other inconsistency between the terms of the Plan and the terms of any Award Certificate or Award Term Sheet, the terms of the Plan will control and in the event of any conflict or any inconsistency between the terms of any Award Certificate or Award Term Sheet, the terms of the Award Certificate will control.

## ARTICLE III
## SHARES AVAILABLE FOR AWARDS UNDER THE PLAN

3.1 Number of Shares. An aggregate of up to One Million Eight Hundred Thousand (1,800,000) Shares are available for Awards under the Plan.

3.2 No Re-Use of Shares. Shares identified with Awards that for any reason terminate or expire unexercised will not thereafter be available for other Awards under the Plan.

3.3 Adjustments. Any change in the number of outstanding shares of Common Stock occurring by reason of a stock split, stock dividend, spin-off, split-up, recapitalization or other similar event will, as and to the extent determined to be necessary or appropriate by the Committee, acting in its sole discretion, be reflected proportionally in (a) the aggregate number of Shares available for Awards under the Plan, (b) the number of Shares identified with Awards then outstanding, and (c) the purchase price of Awards then outstanding, provided that the number of Shares, if any, identified with an Award, after giving effect to any such adjustment, will always be a whole number and the purchase price of each Award, after giving effect to any such adjustment, will be rounded to the nearest whole cent.

## ARTICLE IV
## PARTICIPATION IN THE PLAN

The Committee will have sole discretionary authority to select Participants from among the Eligible Employees and determine the Award each Participant will receive. In making such selections and determinations, the Committee will consider such factors as it deems relevant to effect the purposes of the Plan. No Eligible Employee who receives an Award under the Plan will thereafter be entitled to receive any additional Awards or otherwise further participate in the Plan.

## ARTICLE V
## ADMINISTRATION OF THE PLAN

Subject to the terms of the Plan, the Committee will have sole discretionary authority to determine the number of shares subject to and the Award Date and exercise price associated with each Award granted under the Plan. The terms and conditions and restrictions of each Award will be those contained in the Plan, Award Certificate and Award Term Sheet, as the Award Term Sheet may be modified by the Committee in its discretion, provided that such modifications shall not be inconsistent with the provisions of the Plan. Notwithstanding

anything in the Plan to the contrary, the Committee may delegate and re-delegate in writing, signed by a majority of all members of the Committee, any or all of its authority under the Plan to employees of the Corporation as the Committee may designate from time to time, provided that such employees are not

Participants. The Committee and such employees acting within the authority delegated hereunder by the Committee, shall have the authority to interpret the Plan and all Award Certificates and Award Term Sheets and to grant such waivers of the terms thereof as the Committee or such employees determine to be necessary or desirable, provided that nothing herein shall be construed to grant to the Committee or any such employee authority to make Awards to anyone who is not an Eligible Employee or to grant to any such employee the authority to make the adjustments provided in Section 3.3 (which authority shall be retained by the Committee). All decisions of the Committee and any such employees made pursuant to the authority granted herein or delegated by the Committee will be final and binding on all parties.

## ARTICLE VI
## AWARDS

6.1 Price. The Committee will determine the purchase price of each Share subject to an Option, provided that such purchase price shall not be less than the Fair Market Value of a Share on the Award Date applicable to such Option and in any event will not be less than the par value of the Share subject to the Award.

6.2 Exercise Term. The Committee will determine the term of each Award, provided that (a) no Award will be exercisable after the fifth anniversary of its Award Date and (b) no Award will be exercisable unless a registration statement for the Shares underlying the Award is then in effect under the Securities Act of 1933, as amended, or unless in the opinion of legal counsel, registration under such Act is not required.

6.3 Payment of Purchase Price. Upon exercise of any Award that requires a payment from the Participant to the Corporation, the amount due the Corporation shall be paid in cash or by check in accordance with procedures established by the Committee.

6.4 Award Term Sheet. Each Award will be evidenced by an Award Certificate and Award Term Sheet. The Committee may, in its discretion, include terms and conditions in the Award Certificate that modify the terms and conditions of the Award Term Sheet, provided that such modifications are not inconsistent with the Plan.

6.5 Withholding Taxes. The Corporation and its Affiliates have the right to withhold, at the time any Award is exercised by the recipient thereof, all amounts necessary to satisfy federal, state and local withholding requirements related to such exercise. Any required withholding shall be satisfied by cash (or by check), or under terms and conditions established by the Committee, in its discretion, the Corporation's withholding of Shares having a Fair Market Value equal to the amount required to be withheld.

## ARTICLE VII
## MISCELLANEOUS PROVISIONS

7.1 Termination of Employment.

7.1.1 Due to Death, Disability, Severance or Retirement. If a Participant ceases to be an employee of the Corporation or its Affiliates by reason of the Participant's death, Disability, Severance or Retirement, the Participant's Award shall continue in effect for the balance of the term provided in the applicable Award Certificate or Award Term Sheet.

7.1.2 Other than Due to Death, Disability, Severance or Retirement. If a Participant ceases to be employed by the Corporation or any of its Affiliates for any reason other than death, Disability, Severance or Retirement, the Participant's Award will thereupon terminate, effective immediately upon such cessation without notice of any kind.

7.2 Non-transferability. Except as otherwise determined by the Committee, (a) an Award may be exercised during a Participant's lifetime only by the Participant or the Participant's legal guardian or legal representative and (b) no Award may be assigned or otherwise transferred by the Participant to whom it was granted other than by will or pursuant to the laws of descent and distribution.

7.3 Change in Control, Pooling of Interests Accounting. On the date that (a) substantially all of the assets of the Corporation are acquired by another corporation, (b) there is a reorganization of the Corporation involving an acquisition of the Corporation by another entity or (c) a majority of the Board shall be comprised of persons other than persons (i) for whose election proxies shall have been solicited by the Board or (ii) who shall have been appointed by a majority of directors whose elections satisfy the provisions of clause (i) to fill vacancies on the Board caused by death or resignation (but not by removal) of one or more directors or to fill newly

created directorships, then all Awards will become immediately exercisable in full without regard to any vesting requirements applicable thereto and shall continue in effect until their expiration. In the event, however, that the Corporation is a party to a transaction which is otherwise intended to qualify for "pooling of interests" accounting treatment then (x) the change of control provisions contained in this Section shall, to the extent practicable, be interpreted so as to permit such accounting treatment, and (y) to the extent that the application of clause (x) of this paragraph does not preserve the availability of such accounting treatment, then, the Corporation may modify or limit the effect of the provisions of this Section relating to change of control to the extent necessary to qualify the transactions as a "pooling transaction" and provide the Participant with benefits as nearly equivalent as possible to those the Participant would have received absent such modification or limitation, provided, however, to the extent that any of the change of control provisions of this Section would disqualify the transaction as a "pooling" transaction and cannot otherwise be modified or limited, such provisions shall be null and void as of the effective date of the Plan.

7.4 No Employment Contract. Neither the adoption of the Plan nor the grant of any Award will (a) confer upon any Eligible Employee any right to continued employment with the Corporation or any Affiliate or (b) interfere in any way with any right of the Corporation or any Affiliate to terminate at any time the employment of any Eligible Employee.

7.5 Amendment of Plan. The Board or the Committee may at any time terminate, suspend or amend the Plan, provided that any such action shall not modify or impair the rights of any Participant under any Award granted prior to such action.

7.6 Governing Law and Severability. The validity, construction and effect of the Plan and Awards shall be determined in accordance with the internal laws of the State of Minnesota. If any provision of the Plan or any Award is deemed to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be construed to conform to applicable laws or if it cannot be so construed in the opinion of the Committee without materially altering the intent of the Plan or Award, such provision shall be stricken from the Plan or Award in such jurisdiction, and the remainder of the Plan and such Award shall remain in full force and effect.

7.7 No Rights in Awards. No Eligible Employee or any other person shall have any claim to be granted an Award under the Plan and there is no obligation for uniformity of treatment of Eligible Employees or Participants holding Awards or requirement that Awards contain the same or similar terms and conditions.

7.8 No Fractional Shares. No fractional Shares will be issued under the Plan or any Award and the Committee shall determine whether to deliver cash in lieu of fractional Shares or whether such fractional Shares will be terminated or rounded up or down to the nearest whole Share.

7.9 No Rights in Shares Subject to an Award. No Participant shall have any rights with respect to Shares that are subject to an Award unless and until the Award is exercised and the Shares subject to the Award are issued to the Participant, including, without limitation, any right to vote or receive dividends with respect to such Shares.

7.10 Headings. Headings contained in this Plan and any Award are for convenience only and shall not be relevant to the interpretation of any provision contained in the Plan or any Award.

7.11 Duration of the Plan. The Plan will become effective upon its approval by the Board and, unless earlier terminated, will remain in effect until December 31, 1998. No Award shall be made under the Plan before January 1, 1998 or after December 31, 1998. However, unless otherwise expressly provided in the Plan, any right under any Award granted on or before the expiration or termination of this Plan may extend beyond the date of such expiration or termination, and the authority of the Board and the Committee to amend or otherwise administer the Plan or any Award shall extend beyond such date.

Exhibit I

AWARD TERM SHEET

1. Option Grant. Effective as of the date specified in your Award Certificate, Deluxe Corporation (the "Corporation") has granted you an option (the "Option") to purchase the number of shares of the Corporation's Common

Stock (the "Shares") specified in your Award Certificate. Your ownership and exercise of the Option are subject to the terms, conditions and restrictions set forth in the Award Certificate, this Award Term Sheet and the Deluxe Corporation 1998 DeluxeSHARES Plan (the "Plan"). Capitalized terms used and not otherwise defined in this Award Term Sheet have the meanings given to them in the Plan.

2. Option Terms and Conditions.

   a. Purchase Price. The purchase price of each Share subject to the Option is the Fair Market Value of a Share of Common Stock on the Award Date applicable to your Award. Such price is stated in your Award Certificate.

   b. Term. Unless exercisability is accelerated as provided in paragraph 3(b) below, the Option will become exercisable upon the earlier of the third anniversary of the Award Date or the first date on which the Fair Market Value of the Corporation's Common Stock equals or exceeds the 150% of the purchase price of a Share established under Section 2(a) above. Unless earlier terminated as provided in paragraph 3 below, the Option will expire on the fifth (5th) anniversary of the Award Date applicable to your Award.

   c. Exercise. The Option must be exercised for all of the Shares subject to the Option. No partial exercise is permitted. You will be sent instructions on how to exercise the Option prior to the Option becoming exercisable.

   d. Payment of Purchase Price and Withholding Taxes. Upon exercise of the Option, you will be required to pay in cash, on the date of exercise and as a condition to receiving the Shares, the purchase price for the Shares. You will also be required to pay in cash an amount sufficient to satisfy federal, state and local income tax withholding requirements triggered by your exercise of the Option, unless the Committee has established procedures under which the Corporation will withhold Shares having a Fair Market Value equal to the amount required to be withheld.

3. Accelerated Exercisability and Termination of Employment.

   a. Death, Disability, Severance and Retirement . In the event your employment with the Corporation or an Affiliate terminates as a result of your death, Retirement, Severance or Disability, the Option will continue in effect until its stated expiration date.

   b. Change of Control. In the event of a change of control of the Corporation as provided in Section 7.3 of the Plan, the Option will become exercisable immediately and will

      continue to be exercisable until its stated expiration date, unless otherwise provided in Section 7.3 of the Plan.

   c. Other. If your employment with the Corporation or an Affiliate terminates for any reason other than your Retirement, Severance, Disability or death, all of your rights to and under the Option will terminate immediately without notice to you.

4. Non-transferability of Option. Only you or your legal guardian or legal representative may exercise the Option during your lifetime. The Option may not be sold, assigned or otherwise transferred except by will or pursuant to the laws of descent and distribution.

5. No Change in Employment Status. Neither the grant of the Option to you nor the delivery to you of this Award Term Sheet, your Award Certificate or any other document relating to the Option will confer on you any right to continued employment with the Corporation or any Affiliate or interfere in any way with any right of the Corporation or any Affiliate to terminate your employment at any time.

6. Other Restrictions. The Corporation may delay your exercise of the Option to (a) ensure that at the time of exercise there is a registration statement for the Shares in effect under the Securities Act of 1933, as amended, (b) comply with all other applicable laws, regulations and guidelines or (c) the extent the Committee deems it in the best interests of the Corporation or necessary for the orderly administration of the Plan.

7. Conflicts between Award Term Sheet and Plan. In the event of any conflict or other inconsistency between the terms of the Plan and the terms of any Award Certificate or this Award Term Sheet, the terms of the Plan will control and in the event of any conflict or any inconsistency between the terms of any Award Certificate or this Award Term Sheet, the terms of the Award Certificate will control.

8. No Obligation to Exercise Option. Your receipt of the Option in no way obligates you to exercise the Option and purchase any of the Shares.

Exhibit 10.10

Description of Modification to the
Director Retirement and Deferred Compensation Plan

The Company has previously adopted a retirement plan (the "Plan") for non-employee Directors ("Independent Directors"). Under the Plan, non-employee Directors with at least five years of service, who resigned or were not nominated for re-election were entitled to receive annual retirement payments equal to the annual retainer in effect on the date of retirement for the lesser of ten years or the number of years the retiring Director served on the Board. Such payments did not extend beyond the lifetime of the retiring Director and were contingent upon the Director's availability for consultation with management and refraining from engaging in competition with the Company.

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

Prior to October 1997, Independent Directors could, if they wished, defer payment of their cash retainers until termination of their service on the Board of Directors. Cash amounts deferred were retained by the Company and credited with interest at the prime rate until paid. None of the current Independent Directors elected to defer receipt of their retainers under this deferral option, and this program has been eliminated.

Exhibit 10.15

Description of Severance Arrangement
with
Thomas W. VanHimbergen

Thomas W. VanHimbergen, the Company's Senior Vice President and Chief Financial Officer, is entitled to severance benefits in the event his employment is terminated for reasons other than willful misconduct, gross negligence or unlawful actions towards the Company or towards others on behalf of the Company (i.e., other than for cause). Under this arrangement, in the event of such a termination, Mr. VanHimbergen will receive a severance package of one year's base salary plus a second year of income continuation. As a part of this income continuation, the Company would continue to make payments to Mr. VanHimbergen in an amount equal to the difference between his base salary and any lesser salary received by Mr. VanHimbergen from a subsequent employer. Mr. VanHimbergen is also entitled to the continuation of his medical, dental, vision and life insurance coverage at employee rates for one year following his termination. In the event Mr. VanHimbergen's employment is terminated following certain business combinations or changes of control involving the Company, the terms of the Executive Retention Agreement between Mr. VanHimbergen and the Company that is described in the Company's Proxy Statement for its 1998 regular meeting of shareholders under the heading "Employment Contracts and Termination of Employment and Change-in-Control Arrangements--Executive Retention Agreements" would govern Mr. VanHimbergen's severance entitlements in lieu of the foregoing.

Exhibit 10.16

SEPARATION AGREEMENT

This Separation Agreement is made and entered into December 23, 1997, between Michael R. Schwab (Employee) and Deluxe Corporation, a Minnesota corporation having its principal offices at 3680 Victoria Street North, Shoreview, Minnesota 55126 (Deluxe).

WHEREAS, Employee has been employed by Deluxe pursuant to an agreement dated as of October 24, 1994; and

WHEREAS, the parties agree to set forth herein the terms and conditions under which such employment is terminated.

NOW THEREFORE, in consideration of the mutual benefits and promises contained herein the parties agree as follows:

1. Termination. Employee and Deluxe agree that Employee voluntarily terminates his employment with Deluxe on January 1, 1998 (Termination Date).

2. Payments and Benefits. Deluxe and Employee agree that the following payments and benefits, less applicable payroll and any supplemental deductions, shall be provided by Deluxe to Employee:

A. Two Hundred Fifty Thousand and 00/100 Dollars ($250,000.00).

B. All accrued vacation pay as of Termination Date.

C. Accrued amount in Employee's Stock Purchase Plan Account as of Termination Date.

D. Payment to Employee of his accrued balance in his Deferred Compensation and Supplemental Retirement Plan Account in accordance with the terms of the Plans and the payout option selected by Employee. Where the Plans allow, Employee may transfer his balance to other plans of his choosing.

E. Any contribution for 1997 to the Deluxe retirement plans in which Employee is a participant and the Deferred Compensation Plan in accordance with the plans. Where the Plans allow, Employee may transfer his balance to other plans of his choosing.

F. Executive out-placement services through an agency chosen by Employee, the fee for which shall be negotiated by Deluxe. Such services shall be paid for by Deluxe upon receipt of an invoice from the agency.

G. One Thousand One Hundred and 00/100 Dollars ($1,100.00) per month for the twelve (12) month period following Termination Date in connection with payment of Employee's automobile expenses.

H. Continuation of financial planning assistance through AMG for the twelve (12) month period following Termination Date.

I. Payment of premiums at employee rates for and provision of medical, dental, vision and life coverage for the twelve (12) month period following Termination Date, and further continuation of medical coverage as though Employee were a qualified retiree at 58 years of age having thirty-six (36) years of service, as each such plan shall change from time-to-time until Employee is eligible for Medicare coverage at which time Medicare coverage shall become primary and coverage provided by Deluxe shall become secondary.

J. Payment of up to Four Thousand and 00/100 Dollars ($4,000.00) in legal expenses for Employee's attorney's review and negotiation of this transaction on Employee's behalf upon receipt of an invoice from such attorney.

K. Thirty-One Thousand Seven Hundred Fifty and 00/100

Dollars ($31,750.00) in lieu of receipt of One Thousand Two Hundred Ninety (1,290) restricted stock units granted on February 9, 1996 under the Deluxe Corporation Annual Incentive Plan. Employee acknowledges that Employee's rights to receive incentive compensation under such plan will terminate as of Termination Date.

L. In accordance with approval of the Compensation Committee of the Board of Directors the (1) vesting of the unvested nonqualified stock options granted to Employee (a) on November 11, 1994 to purchase 8,000 shares thereunder; (b) on February 9, 1996 to purchase 12,000 shares thereunder; and (c) on January 31, 1997 to purchase 15,000 shares thereunder of Deluxe common stock (with respect to all shares then remaining under such options) in accordance with the provisions of the applicable option agreements, as amended, including the five (5) year period of exercise applicable to each such option, as if Employee had satisfied the requirements for approved retirement as therein specified and the Termination Date were the date of Employee's retirement; (2) continuation of Employee's rights, as if Employee had retired in accordance with applicable policies, with respect to the 5,000 (up to a maximum of 7,500) stock units granted on February 9, 1996 under the Deluxe Corporation Performance Share Plan plus any additional stock units determined and resulting thereunder in lieu of the payment of dividends.

M. Beginning on the first day of the second month following Termination Date and continuing for up to a eight (8) month period thereafter, payment to Employee of any difference in Employee's basic monthly compensation at Deluxe and any lesser amount earned by Employee during the immediately prior month. Employee shall use reasonable, diligent efforts to obtain monthly compensation at the earliest opportunity and within five (5) days following the close of any month for which Employee claims payment hereunder, Employee shall provide Deluxe documentation satisfactory to Deluxe of all compensation earned by Employee for his services in the month for which he makes such claim.

N. Employee's target incentive bonus for 1997.

O. Assignment to Employee of the Manufacturer's Life Insurance Company single premium deferred annuity No. 5009136-2.

The payments and benefits described in subsections B, C and D of this Section shall be provided by Deluxe to Employee on Termination Date. Except as otherwise provided, the payments and benefits described in this Section shall be provided by Deluxe to Employee upon receipt of the signed Separation Agreement and a Release in the form attached as Exhibit A, but no earlier than five (5) nor later than seven (7) days after the expiration of the rescission period referred to in Section 6. Such payments shall be reduced by any amount Employee owes Deluxe for outstanding credit card or other charges. Any payment to Employee described in this Agreement shall be made by automated transfer to Employee's Deluxe payroll account using Deluxe's payroll department.

3. Full Compensation. The payments that will be made to Employee or for his benefit pursuant to this Separation Agreement shall compensate him for and extinguish any and all claims he may have arising out of his employment with Deluxe or his employment termination as of the effective date of the Release, including but not limited to claims for attorneys' fees and costs, and any and all claims for any type of legal or equitable relief.

4. Benefits. Employee is a participant in various employee benefit plans sponsored by Deluxe. Unless otherwise agreed hereunder, the payment or cancellation of benefits, including the amounts and the timing thereof, will be governed by the terms of the employee benefit plans. Deluxe will provide Employee the same assistance given other participants in employee benefit plans so long as he is entitled to benefits thereunder.

5. Records, Documents and Property. Employee will return to Deluxe all of its property including, but not limited to its records, correspondence and documents as well as all keys, corporate charge cards and computers.

6. Rescission. Employee acknowledges that he has had a period of twenty-one (21) days in which to consider this Separation Agreement and the Release referred to in Section 7 and deliver signed originals of them to the officer and at the address set out below in this Section. Once this Separation Agreement and the Release are executed, Employee may rescind this Separation Agreement and the Release within seven (7) calendar days to reinstate federal claims and fifteen (15) days to release Minnesota claims. To be effective, any rescission within the relevant time periods must be in writing and delivered to Deluxe Corporation, in care of Michael F. Reeves, Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126, either by hand or by mail within the respective periods. If sent by mail, the rescission must be (1) postmarked within the respective periods (2) properly addressed to Deluxe Corporation; and (3) sent by certified mail, return receipt requested.

7. General Release. In consideration of the payments and other undertakings stated herein, the parties shall sign a separate Release in the form attached hereto as Exhibit A at the time each signs this Separation Agreement.

8. Resignation. Employee agrees that as of Termination Date he will resign as a Senior Vice President of Deluxe.

9. Confidential Deluxe Information. Employee agrees that for a period of one (1) year after execution of this Agreement unless so ordered by a court or governmental agency, Employee will not use or disclose Confidential Information of Deluxe.

"Confidential Information" means all confidential or proprietary information of Deluxe or any affiliate, including without limitation, financial data, trade secrets, customer and mailing lists, business plans, sales and marketing plans, business acquisition or divestiture plans, data processing systems unique to Deluxe or any affiliate, information services systems unique to Deluxe or any affiliate, pricing and credit policies and practices unique to Deluxe, books and records, research and development activities relating to existing commercial activities and new products, services and offerings under active consideration, which Employee may have acquired or obtained during the course of Employee's employment with Deluxe.

10. Nonrecruitment. For a period of one (1) year after Termination Date, Employee shall not for himself or any other person or entity either, directly or indirectly, recruit for employment any person who at any time during the period one (1) year prior to Termination Date through Termination Date is or was an employee of Deluxe or any of its affiliates or subsidiaries.

11. Noncompetition. Employee agrees that for a period of one (1) year after Termination Date, Employee will not (a) serve as an officer, principal, advisor, agent, partner, director, stockholder, employee or consultant of any corporation or other business enterprise that engages in activities, directly or through an affiliate, that are directly competitive with the commercial activities of Deluxe from which it derives a

significant portion of its revenue and which were engaged in by Deluxe at the time of the termination of Employee's employment without the prior written consent of the President and Chief Executive Officer of Deluxe Corporation; or (b) with respect to such activities that are directly competitive, cause customers, distributors, suppliers or consultants under contract or doing business with Deluxe at any time within one year prior to and including the Termination Date to modify their business relationships with Deluxe in any material respect.

Ownership by Employee of less than one percent (1%) of the outstanding shares of capital stock of any corporation, for investment purposes, shall not constitute a breach of this provision.

For commercial activities to be "directly competitive" with those of Deluxe within the meaning of this Agreement, such activities must consist of selling or attempting to sell the same types of products or services from which Deluxe Corporation now derives at least one percent (1%) of its revenue or which are the subject of material business development plans of which Employee is aware.

12. Non-Disparagement. The parties mutually agree that they shall not disparage or defame each other in any respect or make any such comments concerning the employment relationship between them.

13. Confidentiality. The terms of this Separation Agreement and the Release shall be treated as confidential by both Employee and Deluxe and neither party shall disclose its terms to anyone, except Employee may disclose the terms of this Separation Agreement and the Release or any portions thereof, as needed, to his immediate family, legal counsel, accountant and prospective or subsequent

employers, or in response to requests from such prospective or subsequent employers to facilitate compliance with its terms or as ordered by a court or governmental agency. Deluxe may disclose the terms of this Separation Agreement and the Release to its officers and directors, outside auditors, employees who have a legitimate need to know the terms in the course of performing their duties and as required by law. Each party recognizes and agrees that this confidentiality provision was a significant inducement for the other to enter into this Separation Agreement and Release. Either party may disclose this Agreement or its terms to its legal advisors for purposes of enforcement or in the course of judicial proceedings.

14. Nonassignment. The parties agree that this Separation Agreement and the Release will not be assigned by either party unless the other party agrees to such assignment in writing.

15. This Agreement shall bind and inure to the benefit of the parties, and as applicable, their respective heirs, personal representatives, successors and permitted assigns. Successors, in the case of Deluxe, shall mean both direct or indirect successors,

whether by purchase, merger, consolidation or otherwise, to all or substantially all of the businesses or assets of Deluxe.

16. Merger. This Separation Agreement and the Release, and the employee benefit plans in which Employee is a participant supersede all prior oral and written agreements and communications between the parties. Employee and Deluxe agree that any and all claims which either might have had against the other to the extent described in the Release are fully released and discharged by this Separation Agreement and the Release, and that the only claims arising out of Employee's employment with Deluxe and his employment termination which either may hereafter assert against the other will be derived only from an alleged breach of the terms of the Separation Agreement, the Release or, as against Deluxe, or any employee benefit plan in which Employee is a participant.

17. Entire Agreement. This Separation Agreement and Attachments constitute the entire agreement between the parties with respect to the termination of Employee's employment relationship with Deluxe, and the parties agree that there were no inducements or representations leading to the execution of this Separation Agreement or any of the Attachments except as herein contained.

18. Voluntary and Knowing Action. Employee acknowledges that he has been advised of his right to be represented by his own attorney, that he has read and understands the terms of this Separation Agreement and the Release, and that he is voluntarily entering into the Separation Agreement and the Release.

19. Governing Law. This Separation Agreement and the Release will be construed and interpreted in accordance with the laws of the State of Minnesota.

20. Counterparts. This Separation Agreement and the Release may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one of the same instrument.

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

| DELUXE CORPORATION | EMPLOYEE |
|---|---|
| By: /s/ Michael F. Reeves | By: /s/ Michael R. Schwab |
| Michael F. Reeves | Michael R. Schwab |
| Title: Vice President | |

STATE OF MINNESOTA

COUNTY OF RAMSEY

I, Lorraine E. Houle , a Notary Public, do hereby certify that Michael R. Schwab personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and official seal this 7th day of January, 1997.

/s/ Lorraine E. Houle
Notary Public

STATE OF MINNESOTA

COUNTY OF RAMSEY

The foregoing instrument was acknowledged before me this 7th day of January, 1997 by Michael F. Reeves, a Vice President of Deluxe Corporation, a Minnesota corporation, on behalf of the Corporation.

/s/ Lorraine E. Houle
Notary Public

EXHIBIT A

RELEASE

Definitions. We intend all words used in this Release to have their plain meaning in ordinary English. Technical legal words are not needed to describe what we mean. Specific terms we use in this Release have the following meanings:

A. We, as used herein, includes Deluxe Corporation defined at B and Employee, as defined at C.

B. Deluxe Corporation or Deluxe, as used herein, shall at all times mean Deluxe Corporation, its subsidiaries, successors and assigns, their affiliated companies, their successors and assigns, their affiliated and predecessor companies and the present or former officers, employees and agents of any of them, whether in their individual or official capacities, and the current and former trustees or administrators of any profit sharing, pension or other benefit plan applicable to the employees or former employees of Deluxe, in their official and individual capacities.

C. Employee, as used herein, means Michael R. Schwab or anyone who has or obtains any legal rights or claims through him.

D. Employee's Claims means any rights Employee has now or hereafter to any relief of any kind from Deluxe whether or not Employee knows now about those rights, arising out of his employment with Deluxe, and his employment termination, including, but not limited to, claims for breach of contracts; fraud or misrepresentation; violation of the Minnesota anti-discrimination laws, the Americans with Disabilities Act, or other federal, state, or local civil rights laws based on disability or other protected class status; defamation; intentional or negligent infliction of emotional distress; breach of the covenant of good faith and fair dealing; promissory estoppel; negligence; wrongful termination of employment; and any other claims for unlawful employment practices. However, this Release shall not affect any claims which Employee could have made under any welfare benefit plan or any profit sharing, pension or retirement plan through Deluxe or which may arise under the Agreement to which this Release is attached.

Agreement to Release Claims. Employee agrees that he is receiving a substantial amount of money and benefits from Deluxe. Employee agrees to give up all Employee's Claims against Deluxe in exchange for those payments and benefits. Employee will not bring any lawsuits, file any charges, complaints, or notices, or make any other demands against Deluxe based on Employee's Claims. Employee agrees that the money and benefits Employee is receiving are full and fair compensation for the release of all Employee's Claims. Employee agrees that Deluxe does not owe Employee anything in addition to what Employee will be receiving.

Employee understands that he may rescind (that is, cancel) this Release within seven (7) calendar days of signing it to reinstate federal claims and within fifteen (15) days to

reinstate state claims. To be effective, Employee's rescission must be in writing and delivered to Deluxe Corporation in care of Michael F. Reeves, Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126, either by hand or by mail within the relevant period. If sent by mail, the rescission must be postmarked within the relevant period, properly addressed to Deluxe Corporation, and sent by certified mail, return receipt requested.

Deluxe agrees to give up any claim against Employee that Deluxe may have now or hereafter arising from Employee's employment with Deluxe, except as may arise under the Agreement to which this Release is attached.

We acknowledge that we have read this Release carefully and understand all its terms. In agreeing to sign this Release, we have not relied on any statements or explanations made by either of us.

We agree that this Release shall be effective as of the last date set out below. Deluxe and Employee understand and agree that this Release, the Agreement and the Deluxe employee benefit plans in which Employee is a participant, contain all of the agreements between Deluxe and Employee. We have no other written or oral agreements.

Dated: December 23 , 1997

/s/ Michael R. Schwab
Michael R. Schwab

Witnesses:

/s/ Sharon R. Maylath

/s/ Lorraine E. Houle

DELUXE CORPORATION

Dated: December 23 , 1997

By: /s/ Michael F. Reeves
Michael F. Reeves
Vice President

Witnesses:

/s/ Sharon R. Maylath

/s/ Lorraine E. Houle

Exhibit 10.17

SEPARATION AGREEMENT

This Separation Agreement is made and entered into April 25, 1997, between Charles M. Osborne (Employee) and Deluxe Corporation, a Minnesota corporation having its principal offices at 3680 Victoria Street North, Shoreview, Minnesota 55126 (Deluxe).

WHEREAS, Employee has been employed by Deluxe from January 19, 1981 through May 2, 1997; and

WHEREAS, the parties agree to set forth herein the terms and conditions under which such employment is terminated.

NOW THEREFORE, in consideration of the mutual benefits and promises contained herein the parties agree as follows:

1. Termination. Employee and Deluxe agree that Employee voluntarily terminates his employment with Deluxe on May 2, 1997 (Termination Date).

2. Payments and Benefits. Deluxe and Employee agree that the following payments and benefits, less applicable payroll and any supplemental deductions, shall be provided by Deluxe to Employee:

A. One Hundred Thousand and 00/100 Dollars ($100,000.00).

B. Seventy Thousand Nine Hundred Forty-Two and 75/100 ($70,942.75).

C. All accrued vacation pay as of Termination Date.

D. Accrued amount in Employee's Stock Purchase Plan Account as of Termination Date.

E. Payment to Employee of his accrued balance in his Supplemental Retirement Plan Account in accordance with the terms of the Plans and the payout option selected by Employee.

F. Forgiveness of a note Deluxe holds from Employee under which Employee owes Deluxe Eight Thousand Five Hundred and 00/100 Dollars ($8,500.00) in connection with Employee's membership at North Oaks Golf Club, and the discharge of Employee's obligations under the note.

The payments and benefits described in subsections B, C, D and E of this Section shall be provided by Deluxe to Employee on Termination Date. Except as otherwise provided,

the payments and benefits described in this Section shall be provided by Deluxe to Employee upon receipt of the signed Separation Agreement and a Release in the form attached as Exhibit A, but no earlier than five (5) nor later than seven (7) days after the expiration of the rescission period referred to in Section 6. Such payments shall be reduced by any amount Employee owes Deluxe for outstanding credit card or other charges.

3. Full Compensation. The payments that will be made to Employee or for his benefit pursuant to this Separation Agreement shall compensate him for and extinguish any and all claims he may have arising out of his employment with Deluxe or his employment termination as of the effective date of the Release, including but not limited to claims for attorneys' fees and costs, and any and all claims for any type of legal or equitable relief.

4. Benefits. Employee is a participant in various employee benefit plans sponsored by Deluxe. Unless otherwise agreed hereunder, the payment or cancellation of benefits, including the amounts and the timing thereof, will be governed by the terms of the employee benefit plans. Deluxe will provide Employee the same assistance given other participants in employee benefit plans so long as he is entitled to benefits thereunder.

5. Records, Documents and Property. Employee will return to Deluxe all of its property including, but not limited to its records, correspondence and documents as well as all keys and corporate charge cards, except that Employee shall be permitted to retain a desk chair, laptop computer, printer and peripheral equipment.

6. Rescission. Employee acknowledges that he has had a period of twenty-one (21) days in which to consider this Separation Agreement and the Release referred to in Section 7 and deliver signed originals of them to the officer and at the address set out below in this Section. Once this Separation Agreement and the Release are executed, Employee may rescind this Separation Agreement and the Release within seven (7) calendar days to reinstate federal claims and fifteen (15) days to release Minnesota claims. To be effective, any rescission within the relevant time periods must be in writing and delivered to Deluxe Corporation, in care of Michael F. Reeves, Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126, either by hand or by mail within the respective periods. If sent by mail, the rescission must be (1) postmarked within the respective periods (2) properly addressed to Deluxe Corporation; and (3) sent by certified mail, return receipt requested.

7. General Release. In consideration of the payments and other undertakings stated herein, the parties shall sign a separate Release in the form attached hereto as Exhibit A at the time each signs this Separation Agreement.

8. Resignation. Employee agrees that as of April 21, 1997 he resigned as an executive officer of Deluxe and as a member of the Board of Directors of each company,

foundation, trust or other entity where he served in either capacity on behalf of Deluxe, except that Employee agrees, if requested by Deluxe, to continue as a member of the Board of Directors of Deluxe Mexicana until further action is taken at its next meeting.

9. Confidential Deluxe Information. Employee agrees that for a period of two (2) years after execution of this Agreement unless so ordered by a court or governmental agency, Employee will not use or disclose Confidential Information of Deluxe.

"Confidential Information" means all confidential or proprietary information of Deluxe or any affiliate, including without limitation, financial data, trade secrets, customer and mailing lists, business plans, sales and marketing plans, business acquisition or divestiture plans, data processing systems unique to Deluxe, pricing and credit policies and practices unique to Deluxe, books and records, research and development activities relating to existing commercial activities and new products, services and offerings under active consideration, which Employee may have acquired or obtained during the course of Employee's employment with Deluxe. This confidentiality commitment is not applicable to information intentionally disclosed to the public by Deluxe or information received by Employee from third parties not under an obligation of confidentiality to Deluxe or any of its affiliates or subsidiaries.

10. Nonrecruitment. For a period of two (2) years after Termination Date, Employee shall not for himself or any other person or entity either, directly or indirectly, recruit for employment any person who at any time during the period May 1, 1996 through Termination Date is or was an employee of Deluxe or any of its affiliates or subsidiaries.

11. Noncompetition. Employee agrees that for a period of two (2) years after Termination Date, Employee will not (a) serve as an officer, principal, advisor, agent, partner, director, stockholder, employee or consultant of any corporation or other business enterprise that engages in activities, directly or through an affiliate, that are directly competitive with the commercial activities of Deluxe from which it derives a significant portion of its revenue and which were engaged in by Deluxe at the time of the termination of Employee's employment without the prior written consent of the President and Chief Executive Officer of Deluxe Corporation; or (b) with respect to such activities that are directly competitive, cause customers, distributors or suppliers under contract or doing business with Deluxe at any time within one year prior to and including the Termination Date to modify their business relationships with Deluxe in any material respect.

Ownership by Employee of less than one percent (1%) of the outstanding shares of capital stock of any corporation, for investment purposes, shall not constitute a breach of this provision.

For commercial activities to be "directly competitive" with those of Deluxe within the meaning of this Agreement, such activities must consist of selling or attempting to sell the same types of products or services from which Deluxe Corporation now derives at least one percent (1%) of its revenue or which are the subject of business development plans.

12. Non-Disparagement. The parties mutually agree that they shall not disparage or defame each other in any respect or make any such comments concerning the employment relationship between them.

13. Confidentiality. The terms of this Separation Agreement and the Release shall be treated as confidential by both Employee and Deluxe and neither party shall disclose its terms to anyone, except Employee may disclose the terms of this Separation Agreement and the Release to his immediate family, legal counsel and accountant and as ordered by a court or governmental agency. Deluxe may disclose the terms of this Separation Agreement and the Release to its officers and directors, outside auditors, to employees who have a legitimate need to know the terms in the course of performing their duties and as required by law. Each party recognizes and agrees that this confidentiality provision was a significant inducement for the other to enter into this Separation Agreement and Release.

14. Nonassignment. The parties agree that this Separation Agreement and the Release will not be assigned by either party unless the other party agrees to such assignment in writing.

15. Merger. This Separation Agreement and the Release, and the employee benefit plans in which Employee is a participant supersede all prior oral and written agreements and communications between the parties. Employee and Deluxe agree that any and all claims which either might have had against the other are fully released and discharged by this Separation Agreement and the Release, and that the only claims which either may hereafter assert against the other will be derived only from an alleged breach of the terms of the Separation Agreement, the Release or, as against Deluxe, or any employee benefit plan in which Employee is a participant.

16. Entire Agreement. This Separation Agreement and Attachments constitute the entire agreement between the parties with respect to the termination of Employee's employment relationship with Deluxe, and the parties agree that there were no inducements or representations leading to the execution of this Separation Agreement or any of the Attachments except as herein contained.

17. Voluntary and Knowing Action. Employee acknowledges that he has been advised of his right to be represented by his own attorney, that he has read and understands the terms of this Separation Agreement and the Release, and that he is voluntarily entering into the Separation Agreement and the Release.

18. Governing Law. This Separation Agreement and the Release will be construed and interpreted in accordance with the laws of the State of Minnesota.

19. Counterparts. This Separation Agreement and the Release may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one of the same instrument.

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

DELUXE CORPORATION

By: /s/ Michael F. Reeves
Michael F. Reeves
Title: Vice President

EMPLOYEE

By: /s/ Charles M. Osborne
Charles M. Osborne

STATE OF MINNESOTA

COUNTY OF RAMSEY

I, Deborah Cramlet , a Notary Public, do hereby certify that Charles M. Osborne personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and official seal this 25 day of April , 1997.

/s/ Deborah Cramlet
Notary Public

STATE OF MINNESOTA

COUNTY OF RAMSEY

The foregoing instrument was acknowledged before me this 25 day of April , 1997 by Michael F. Reeves, a Vice President of Deluxe Corporation, a Minnesota corporation, on behalf of the Corporation.

/s/ Deborah Cramlet
Notary Public

EXHIBIT A

RELEASE

Definitions. We intend all words used in this Release to have their plain meaning in ordinary English. Technical legal words are not needed to describe what we mean. Specific terms we use in this Release have the following meanings:

A. We, as used herein, includes Deluxe Corporation defined at B and Employee, as defined at C.

B. Deluxe Corporation or Deluxe, as used herein, shall at all times mean Deluxe Corporation, its subsidiaries, successors and assigns, their affiliated companies, their successors and assigns, their affiliated and predecessor companies and the present or former officers, employees and agents of any of them, whether in their individual or official capacities, and the current and former trustees or administrators of any profit sharing, pension or other benefit plan applicable to the employees or former employees of Deluxe, in their official and individual capacities.

C. Employee, as used herein, means Charles M. Osborne or anyone who has or obtains any legal rights or claims through him.

D. Employee's Claims means any rights Employee has now or hereafter to any relief of any kind from Deluxe whether or not Employee knows now about those rights, arising out of his employment with Deluxe, and his employment termination, including, but not limited to, claims for breach of contracts; fraud or misrepresentation; violation of the Minnesota anti-discrimination laws, the Americans with Disabilities Act, or other federal, state, or local civil rights laws based on disability or other protected class status; defamation; intentional or negligent infliction of emotional distress; breach of the covenant of good faith and fair dealing; promissory estoppel; negligence; wrongful termination of employment; and any other claims for unlawful employment practices. However, this Release shall not affect any claims which Employee could have made under any welfare benefit plan or any profit sharing, pension or retirement plan through Deluxe or which may arise under the Agreement to which this Release is attached.

Agreement to Release Claims. Employee agrees that he is receiving a substantial amount of money paid by Deluxe. Employee agrees to give up all Employee's Claims against Deluxe in exchange for those payments. Employee will not bring any lawsuits, file any charges, complaints, or notices, or make any other demands against Deluxe based on Employee's Claims. Employee agrees that the money and benefits Employee is receiving are full and fair compensation for the release of all Employee's Claims. Employee agrees that Deluxe does not owe Employee anything in addition to what Employee will be receiving.

Employee understands that he may rescind (that is, cancel) this Release within seven (7) calendar days of signing it to reinstate federal claims and within fifteen (15) days to

reinstate state claims. To be effective, Employee's rescission must be in writing and delivered to Deluxe Corporation in care of Michael F. Reeves, Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126, either by hand or by mail within the relevant period. If sent by mail, the rescission must be postmarked within the relevant period, properly addressed to Deluxe Corporation, and sent by certified mail, return receipt requested.

Deluxe agrees to give up any claim against Employee that Deluxe may have now or hereafter arising from Employee's employment with Deluxe, except as may arise under the Agreement to which this Release is attached.

We acknowledge that we have read this Release carefully and understand all its terms. In agreeing to sign this Release, we have not relied on any statements or explanations made by either of us.

We agree that this Release shall be effective as of the last date set out below. Deluxe and Employee understand and agree that this Release, the Agreement and the Deluxe employee benefit plans in which Employee is a participant, contain all of the agreements between Deluxe and Employee. We have no other written or oral agreements.

Dated: April 25 , 1997 /s/ Charles M. Osborne
Charles M. Osborne

Witnesses:

/s/ Maureen L. Mikel

/s/ Sharon R. Maylath

DELUXE CORPORATION

Dated: 4-25 , 1997

By: /s/ Michael F. Reeves
Michael F. Reeves
Vice President

Witnesses:

/s/ Maureen L. Mikel

/s/ Hope Newland

Exhibit 10.18

CONFIDENTIAL

Mr. Robert H. Rosseau
Deluxe Electronic Payment Systems, Inc.
400 West Deluxe Parkway
Milwaukee, WI 53212

Dear Bob:

In recognition that Deluxe Electronic Payment Systems, Inc. ("DEPS") has decided to divest or restructure certain portions of its business and desires to maximize shareholder value in so doing and values your expertise and contributions to the business and to such divestiture and restructuring efforts in your current position as Chief Executive Officer of DEPS, we agree with you as follows:

I. RETENTION INCENTIVE: If you remain with DEPS in accordance with the provisions of this agreement through March 31, 1998 (the "Retention Date"), in addition to your base salary ("Salary") and all benefits, you will receive a lump sum payment equal to eighteen (18) months Salary (the "Retention Incentive Payment"). The Retention Incentive Payment will be made on or before April 15, 1998. In the event that we so request by providing you sixty (60) days notice prior to the Retention Date, you agree to remain with DEPS in accordance with the provisions of this agreement subsequent to the Retention Date for an additional period of up to three (3) months as specified by us, in which event, the Retention Date shall be extended for the period of time you are requested by us to remain after the initial Retention Date, and you shall be entitled to receive, in addition to your Salary and all benefits through the extended Retention Date, an increment to your Retention Incentive Payment, payable within fifteen (15) days after the extended Retention date, equal to twice your aggregate Salary for the full three (3) month period, provided you remain in your position for the period of time specified by us.

II. SEVERANCE: In addition, upon your separation from service to DEPS and its affiliates at any time for reasons other than (a) Cause (as hereinafter defined) or (b) your voluntary resignation, upon signing a severance agreement and release in form and substance reasonably satisfactory to you, DEPS and Deluxe, you will receive certain benefits and be subject to certain obligations (which shall not include any non-compete obligation) as the agreement and release describe. The benefits will consist of full "COBRA" benefits, upon payment by you of appropriate premiums therefor, plus a lump sum payment of $900,000.

For the purposes hereof, "Cause" shall mean:

(i) You have breached your obligations of confidentiality to Deluxe, DEPS or any of their affiliates; (ii) You have failed to perform reasonable employment duties assigned to you from time to time by Deluxe's chief executive officer (or person having equivalent responsibilities) ("Deluxe's CEO"), which duties will be commensurate with your title and consistent in nature with your past responsibilities;

(iii) You commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe, DEPS or any of their affiliates;

(iv) You have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs);

(v) You have committed fraud, misappropriation, embezzlement or other acts of dishonesty in connection with Deluxe, DEPS or any of their affiliates or their businesses;

(vi) You have been convicted or have pleaded guilty or nolo contendere to criminal misconduct constituting a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe, DEPS or their affiliates;

(vii) Your use of narcotics, liquor or illicit drugs has had a detrimental effect on performance of employment responsibilities;

(viii) You are in material default under any other agreement between you and Deluxe, DEPS or any of their affiliates beyond all applicable notice, grace and cure periods;

(ix) You fail to exhibit professionalism in support of the goals of Deluxe and DEPS and their affiliates, including supporting the restructuring, sale and/or divestiture of certain portions of DEPS, among your fellow employees, your customers and your acquaintances; or

(x) You fail to perform your obligations under this agreement and to keep the terms of this agreement confidential.

DEPS acknowledges that any material change in your employer relationship, salary, reporting relationship, duties or title shall constitute constructive termination without Cause. It is understood and agreed, however, that your activities may not be limited to the business of DEPS and that you may from time to time be reasonably requested to undertake projects at a corporate level and that nothing herein is intended to prevent DEPS from taking reasonable steps to insure an orderly transition to a new management team.

III. SUCCESS INCENTIVE: In addition, if you are an active employee of DEPS or any of its affiliates when the [***] and the business and assets of Deluxe Data International Limited ("DDIL") relating to DDIL's proprietary software product known as "SP Architect" are placed under binding agreement to be sold or otherwise divested ("Incentive Payment Date"), you will receive a lump sum payment of $500,000, it being understood and agreed that the terms

and conditions of each such sale or divestiture shall be acceptable to DEPS and Deluxe in their sole discretion. Payment under this Section III will be made thirty (30) days after the Incentive Payment Date.

IV. DIRECT REPORT AND TRANSITION: From the date of this agreement through your Retention Date, you shall continue to report directly to Deluxe's CEO on a practical level, however, such reporting relationship may be reflected differently for Deluxe's reasonable corporate organizational purposes. During the period of your employment, you agree to perform all reasonable employment duties assigned to you from time to time by Deluxe's CEO; lead the effort to sell the [***] and SP Architect businesses; and assist actively and to the best of your abilities in the transition of the management of DEPS to a new management team.

V. CONFIDENTIALITY: During the term of this agreement and for a period of three (3) years thereafter, you shall retain in confidence all proprietary and confidential information concerning DEPS, Deluxe and their affiliates, including, without limitation, customer lists, cost and pricing information, employee data, trade secrets and software and, not withstanding the exceptions contained in the next sentence, shall return all copies and extracts thereof (however and on whatever medium recorded) to DEPS, or as otherwise requested by Deluxe, 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 you prior to disclosure to you by Deluxe, DEPS or any of their affiliates; (b) any information which was in the public domain prior to its disclosure to you; (c) any information which comes into the public domain through no fault of yours; (d) any information which you are required to disclose by a court or similar authority or under subpoena, provided that you provide DEPS with notice thereof and assist, at DEPS' sole expense, any reasonable Deluxe or DEPS endeavor by appropriate means to obtain a protective order limiting the disclosure of such information; and (e) any information which is disclosed to you by a third party which has a legal right to make such disclosure.

VI. DEATH OR DISABILITY: Your death or disability prior to your Retention Date shall not bar any payment (a) under Section II of this agreement or (b) of the Salary earned by you under Section I prior to your death or disability. In addition, upon your death or disability during your employment by DEPS or its affiliates, you (or your estate) shall be entitled to receive the ratable portion of your Retention Incentive Payment attributable to the period (x) commencing on July 1, 1997 through the date of your death or disability (based on the period of July 1, 1997 through March 31, 1998) if you die or become disabled prior to March 31, 1998 or (y) of April 1, 1998 through the date of your death or disability, if you die or become disabled after March 31,1998 and before such extended Retention Date,

payable at the time provided in Section I. In the event of your death or disability prior to the Incentive Payment Date, DEPS will have no obligation to make the payment to you under Section III above.

VII. CONDITIONS: The obligations of Deluxe and/or DEPS to you, including any obligation to make the payments under this agreement, are conditional upon the absence at all times of grounds for your dismissal for Cause.

VIII. PRIOR AGREEMENTS: This agreement is intended to contain all of the terms and conditions relative to the subject matter hereof, and there are no other terms, conditions, agreements or understandings relative thereto not set forth herein. This agreement supersedes in its entirety the offer of employment from Deluxe to you dated August 5, 1996 which, as of the date hereof, is of no further force or effect. In connection therewith, you acknowledge that upon the termination of your employment for any reason, your options and rights in restricted shares and any other stock-based compensation will terminate. Further, you acknowledge and agree that you will not be eligible to receive an annual incentive bonus for 1997 or thereafter participate in any similar program or plan.

IX. MISCELLANEOUS: This agreement will be binding upon DEPS, its successors and assigns and shall inure to the benefit of you, your heirs, executors and permitted assigns. You acknowledge and agree that your employment by DEPS may be transferred by DEPS from time to time to one or more of Deluxe's affiliates, provided that Deluxe guarantees any and all obligations to you hereunder and that your benefits are not reduced in any material way (or that alternate payments or benefits having the economic equivalency are substituted therefor). Where you agree in this agreement to observe or perform certain covenants or obligations with respect to Deluxe or any of its other affiliates, you agree that each of Deluxe and such affiliate shall be a third party beneficiary thereof. This agreement shall be governed by the substantive laws of the State of Minnesota.

X. ASSIGNMENT: DEPS' payment obligations hereunder may be assigned at any time and from time to time to any other Deluxe affiliate provided that Deluxe guarantees any and all obligations to you hereunder and that your benefits are not reduced in any material way (or that alternate payments or benefits having the economic equivalency are substituted therefor). Without DEPS' prior written consent, you may not assign this agreement or any of your obligations hereunder and any attempted assignment without such consent shall be null and void.

We need and appreciate the leadership you can provide in this transition period. Thank you for your understanding and professionalism as we move forward.

DELUXE ELECTRONIC PAYMENT SYSTEMS, INC.

By: /s/ J. A. Blanchard III
J. A. Blanchard III
Chairman

EMPLOYEE

/s/ Robert H. Rosseau
Robert H. Rosseau

DELUXE CORPORATION
(as guarantor as required under Sections IX and X only)

By: /s/ J. A. Blanchard III
J. A. Blanchard III

Dated as of 29 Oct. , 1997

## STOCK OPTION AND RESTRICTED SHARE AWARD AGREEMENT AMENDMENT

AMENDMENT, dated as of October 29 , 1997, to (i) a Non-qualified Stock Option Agreement, dated August 20, 1996 (the "First Option Agreement"), (ii) a Non-qualified Stock Option Agreement, dated January 31, 1997 (the "Second Option Agreement), and (iii) an Agreement as to Award of Restricted Common Stock, dated August 20, 1996 (the "Restricted Stock Agreement"), each by and between Deluxe Corporation and Robert H. Rosseau.

1. The paragraph of the First Option Agreement entitled "Duration & Exercisability" is hereby revised to read in full as follows:

> You may not exercise any portion of this Option prior to one year from the date of grant, and your right to exercise will terminate ten years after the date of grant. You may exercise this Option in cumulative installments of 50 percent following the first and second anniversaries of the grant date. If you cease to be employed by Deluxe or its affiliates for any reason, the entire unexercised portion of this Option

will be canceled as of the date of such cessation.

2. The clause entitled "Retirement, Disability, Death or Termination" in the First Option Agreement is hereby deleted.

3. The definitions of "Cause" and "Approved Retirement" appearing on the back of the First Option Agreement (and the associated receipt) are hereby deleted.

4. The last two sentences of the paragraph entitled "Duration & Exercisability" in the Second Option Agreement are hereby deleted.

5. The paragraph entitled "Retirement, Disability, Death or Termination" in the Second Option Agreement is hereby revised to read in full as follows:

> TERMINATION
> If you cease to be employed by Deluxe or its affiliates for any reason, the entire unexercised portion of this Option will be canceled as of the date of such cessation.

6. The definition of "Approved Retirement" appearing on the back of the Second Option Agreement (and the associated receipt) is hereby deleted.

7. The words "Except as provided on the reverse side of this Agreement," in the paragraph of the Restricted Stock Agreement entitled "Restrictions" are hereby deleted.

8. The Section entitled "1. Earlier Lapse of Restrictions" appearing on the back of the Restricted Stock Agreement is hereby deleted.

9. This Amendment shall become effective as of the date above written upon approval by the Compensation Committee of Deluxe Corporation.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the date set forth above.

/s/ Robert H. Rosseau
Robert H. Rosseau

DELUXE CORPORATION

By: /s/ J. A. Blanchard III
Its: Chairman + CEO

*** Denotes confidential information that has been omitted from this Exhibit and filed separately, accompanied by a confidential treatment request, with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities and Exchange Act of 1934.

Exhibit 10.19

Description of Severance Arrangement
with
Lawrence J. Mosner

Lawrence J. Mosner, the Company's Executive Vice President, is entitled to severance benefits in the event his employment is terminated for reasons other than willful misconduct, gross negligence or unlawful actions towards the Company or towards others on behalf of the Company (i.e., other than for cause). Under this arrangement, in the event of such a termination, Mr. Mosner will receive a severance package of one year's base salary plus a second year of income continuation. As a part of this income continuation, the Company would continue to make payments to Mr. Mosner in an amount equal to the difference between his base salary and any lesser salary received by Mr. Mosner from a subsequent employer. In the event Mr. Mosner's employment is terminated following certain business combinations or changes of control involving the Company, the terms of the Executive Retention Agreement between Mr. Mosner and the Company that is described in the Company's Proxy Statement for its 1998 regular meeting of shareholders under the heading "Employment Contracts and Termination of Employment and Change-in-Control Arrangements--Executive Retention Agreements" would govern Mr. Mosner's severance entitlements in lieu of the foregoing.

Exhibit 10.20

DESCRIPTION OF NON-EMPLOYEE DIRECTOR
COMPENSATION ARRANGEMENTS

Directors who are employees of the Company do not receive compensation for their service on the Board other than their compensation as employees. During 1997, Directors who were not employees of the Company ("Independent Directors") each received a $30,000 annual board retainer, payable quarterly. An additional $11,600 annual committee retainer was paid to the chair of each committee and a $6,600 annual committee retainer was paid to each other member of a committee. Fees are not paid for attendance at meetings. In addition to the foregoing, Independent Directors may receive compensation for the performance of duties assigned by the Board or its Committees that are considered beyond the scope of the ordinary responsibilities of Directors or Committee members.

For 1998, the annual board retainer was increased to $50,000, the retainer payable to the chairperson of board committees was increased to $12,500 and the annual committee retainer was increased to $7,500 in connection with the adoption of a retainer stock and deferral plan, the phasing out of the Independent Director retirement plan and the discontinuation of the annual option grant program for Independent Directors. Retainers are paid quarterly.

Harold V. Haverty, the Company's former President and Chief Executive Officer, served as a director between the Company's 1997 regular meeting of shareholders (the "1997 Meeting") and November 1998, when he became a director emeritus. Mr. Haverty will retire from this position immediately prior to the Company's 1998 regular meeting (the "Meeting") of shareholders. Mr. Haverty continued to receive his board and committee retainers (payable in cash) as a director emeritus. Mr. Haverty retired as an employee of the Company immediately prior to the 1997 Meeting.

Each new Independent Director receives a one-time grant of 1,000 shares of restricted stock under the Stock Incentive Plan as of the date of his or her initial election to the Board of Directors. Messrs. Robinson and Tyabji received such a grant in 1997. The restricted stock vests in equal installments on the dates of the Company's regular shareholders' meetings in each of the three years following the date of grant, provided that the Director remains in office immediately following the regular meeting. Restricted stock awards also vest immediately upon an Independent Director's retirement from the Board in accordance with the Company's policy with respect to mandatory retirement.

In 1997, each Independent Director elected at the 1997 Meeting received a non-qualified option to purchase 1,000 shares of the Company's Common Stock under the Stock Incentive Plan on the date of the 1997 Meeting. These options have an exercise price equal to the fair market value of the underlying Common Stock on the date of grant, became fully exercisable six months after the date of grant and will expire on the tenth anniversary of such date. The options also terminate three months following the date upon which a participant ceases to be a Director of the Company. This option program has been discontinued and options will not be granted in connection with the Meeting.

DRH Strategic Consulting, Inc., a corporation controlled by Mr. Hollis and for which Mr. Hollis serves as President ("DRH"), provides, through the services of Mr. Hollis, advisory services to the Company and its joint venture with HCL Corporation of India (the "Joint Venture") regarding their respective strategies, technology and product plans and assists the Company and the Joint Venture in communicating their strategic initiatives to the financial services industry. DRH was paid a total of $84,750 in consulting fees by the Company ($69,750) and the Joint Venture ($15,000) in 1997 and reimbursed by such entities for an aggregate of $43,575 of expenses incurred in providing such services. Consulting fees are not paid under this arrangement for Mr. Hollis' attendance at Board and Committee meetings. An agreement extending Mr. Hollis' services during 1998 is currently under discussion.

Exhibit 12.4

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

| | Year Ended December 31, 1997 | Years Ended December 31, 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Earnings | | | | | | | |
| Income from Continuing Operations before Income Taxes | $115,150 | $118,765 | $169,319 | $246,706 | $235,913 | $324,783 | $295,493 |
| Interest expense (excluding capitalized interest) | 8,822 | 10,649 | 13,099 | 9,733 | 10,070 | 15,371 | 8,220 |
| Portion of rent expense under long-term operating leases representative of an interest fact | 13,621 | 13,467 | 14,761 | 13,554 | 13,259 | 12,923 | 11,807 |
| Amortization of debt expense | 122 | 121 | 84 | 84 | 84 | 84 | 71 |
| TOTAL EARNINGS | $137,715 | $143,002 | $197,262 | $270,077 | $259,326 | $353,161 | $315,591 |
| Fixed charges | | | | | | | |
| Interest Expense (including capitalized interest) | $9,742 | $11,978 | $14,714 | $10,492 | $10,555 | $15,824 | $8,990 |
| Portion of rent expense under long-term operating leases representative of an interest factor | 13,621 | 13,467 | 14,761 | 13,554 | 13,259 | 12,923 | 11,807 |
| Amortization of debt expense | 122 | 121 | 84 | 84 | 84 | 84 | 71 |
| TOTAL FIXED CHARGES | $23,485 | $25,566 | $29,559 | $24,130 | $23,898 | $28,831 | $20,868 |
| RATIO OF EARNINGS TO FIXED CHARGES: | 5.9 | 5.6 | 6.7 | 11.2 | 10.9 | 12.2 | 15.1 |

</TABLE>

EXHIBIT 13.1

FINANCIAL
HIGHLIGHTS

<TABLE>
<CAPTION>

| (Dollars in thousands, except per share amounts) | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| Net sales | $1,919,366 | $1,979,627 |
| Net income (1) | 44,672 | 65,463 |
| Return on sales | 2.3% | 3.3% |
| Per share - basic | .55 | .80 |
| Per share - diluted | .55 | .79 |
| Return on average shareholders' equity | 6.8% | 8.8% |
| Cash dividends per share | 1.48 | 1.48 |
| Shareholders' equity | 610,248 | 712,916 |
| Average common shares outstanding (thousands) | 81,854 | 82,311 |
| Number of shareholders | 16,897 | 19,495 |
| Number of employees | 18,937 | 19,643 |

</TABLE>

(1) Income from continuing operations and net income include reorganization and other special charges each year except 1992. Adjusted income from continuing operations excludes these charges and their tax effects. See Management's Discussion and Analysis on page 14.

[GRAPH]
NET SALES

[GRAPH]
INCOME FROM CONTINUING OPERATIONS(1)

[GRAPH]
ADJUSTED INCOME FROM CONTINUING OPERATIONS(1)

[GRAPH]
CASH FROM CONTINUING OPERATIONS

MANAGEMENT'S
DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion summarizes the significant factors that affected the consolidated operating results and financial condition of Deluxe Corporation during the three years ended December 31, 1997. During this period, the Company has undergone a significant transformation. It has reorganized to improve its profitability in its core and ongoing businesses and redefined its strategy to focus on information-based growth opportunities in the payment process. As part of its strategy, the Company is creating and providing its financial institution and retail customers with integrated products and services that can help them maximize their profit opportunities and manage their risks. As a result of its transformation, the Company has recorded significant consolidation, restructuring, and reorganization costs as well as gains and losses on sales of businesses, which together, have had a significant impact on the operating results and cash position of the Company. The following discussion considers these items separately when analyzing the Company's financial and operational progress and is based on the organization of the Company's businesses into three operating segments: Deluxe Financial Services, Deluxe Electronic Payment Systems, and Deluxe Direct. Deluxe Financial Services provides check printing, direct marketing, customer database management, and related services to financial institutions; checks directly to households and small businesses; and payment protection and collections services to financial institutions and the retail market primarily in the United States. Deluxe Electronic Payment Systems provides debit transaction processing and other electronic banking functions in the United States and internationally. Deluxe Direct primarily sells greeting cards, stationery, and specialty paper products through direct mail to customers principally in the United States.

OVERALL SUMMARY

In 1997, the Company's sales decreased 3.0% due primarily to strategic divestitures within the Deluxe Direct segment. Excluding the impact of lost revenue due to these divestitures, sales increased 3.5% over 1996 due to growth

in the Deluxe Financial Services and Deluxe Electronic Payment Systems segments. 1997 income from continuing operations was $44.7 million, compared to $65.5 million and $94.4 million in 1996 and 1995, respectively. Basic earnings per share from continuing operations were $.55 in 1997, compared to $.80 in 1996 and $1.15 in 1995. Return on average assets was 3.8% for 1997, compared to 5.3% and 7.4% in 1996 and 1995, respectively. Return on average shareholders' equity was 6.8% in 1997 versus 8.8% in 1996 and 11.8% in 1995. These results included pretax reorganization and other special charges of $180 million in 1997, $142.3 million in 1996, and $62.5 million in 1995.

REORGANIZATION AND OTHER SPECIAL CHARGES

Over the last three years, the Company has engaged in a reorganization process involving an examination of the Company's lines of business, including each business' product offerings, short-term and long-term profitability, and strategic fit within the Company. This effort resulted in the consolidation of operating and administrative facilities, the elimination of products and businesses, and the restructuring of the Company's management and organization. The result is improved adjusted operating profitability and expected future cost reductions, which will be reflected primarily in the form of reduced facility, materials, and employee expenses in the Company's operating results. Competitive pricing pressures, other increased expenses, and other factors will offset some of the savings expected to be achieved through these cost reduction efforts.

During 1996, the Company announced its plans to divest three businesses within its Deluxe Direct segment. One of these businesses was sold in 1997. The remaining two are expected to be sold in 1998. Additionally, in 1997, the Company determined that it will divest the international unit of its Deluxe Electronic Payment Systems segment. In 1997, the Company recorded a pretax impairment charge of $99 million to write these businesses down to their estimated fair values less costs to sell. Additionally, the Company recorded pretax charges of $81 million mostly related to production consolidation, legal proceedings, and other asset impairments. These charges are reflected throughout the 1997 consolidated statement of income according to the nature of the charge, with $82.9 million identified separately as goodwill impairment charge, $7.7 million in cost of sales expense, $39.6 million in selling, general, and administrative expense, and $49.8 million in other expense. As a result of these charges and previous consolidation charges, the December 31, 1997, consolidated balance sheet includes a restructuring accrual of $39.5 million for employee severance costs and $3.7 million for estimated losses on asset dispositions. The majority of these severance costs are expected to be paid out in 1998 and early 1999 from cash generated from the Company's operations. The December 31, 1997, consolidated balance sheet also reflects a long-term liability of $40 million for legal proceedings. During 1997, a judgment was entered against Deluxe Electronic Payment Systems, Inc. (DEPS), in U.S. District Court in Pittsburgh. The case was brought against DEPS by Mellon Bank in connection with a potential bid to provide electronic benefit transfer services for the Southern Alliance of States. The majority of this amount is expected to be paid in 1999 if the Company is unsuccessful in its attempt to seek reversal of this judgment.

During 1996, as a result of the initial decision to sell the three businesses within the Deluxe Direct segment, the Company recorded a pretax goodwill impairment charge of $111.9 million to write them down to their estimated fair values less costs to sell at the time. Additionally, the Company recorded net pretax charges of $30.4 million during 1996 for restructuring, gains and losses on sales of businesses, and other reorganization costs. These charges are reflected throughout the 1996 consolidated statement of income according to the nature of the charge, with $39.2 million in cost of sales expense, $24.6 million in selling, general, and administrative expense, and a $33.4 million gain in other income.

During the fourth quarter of 1995, the Company announced that it was exiting its Printwise ink business, which is treated as discontinued operations in the consolidated financial statements presented in this report. Also during 1995, the Company recorded pretax charges of $62.5 million for production consolidation and process improvements, exiting unprofitable businesses, eliminating certain products, and write-offs of non-performing assets. These costs are spread throughout the 1995 consolidated statement of income. Of the $62.5 million in charges, $16.6 million is included in cost of sales, $35.9 million in selling, general, and administrative expense, and $10 million in other expense.

The following table displays the Company's results of operations as reported, compared to results with the above mentioned charges excluded (dollars in thousands).

RESULTS OF OPERATIONS - AS REPORTED AND AS ADJUSTED TO EXCLUDE REORGANIZATION AND OTHER SPECIAL CHARGES

<TABLE>
<CAPTION>

| | 1997 | 1997 | 1996 | 1996 | 1995 | 1995 |
|---|---|---|---|---|---|---|
| | Reported | Adjusted | Reported | Adjusted | Reported | Adjusted |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net sales | $1,919,366 | $1,919,366 | $1,979,627 | $1,979,627 | $1,936,719 | $1,936,719 |
| Gross margin | 1,036,179 | 1,043,918 | 996,183 | 1,035,357 | 1,001,132 | 1,017,748 |
| Selling, general, and administrative | 797,566 | 757,996 | 797,174 | 772,568 | 817,348 | 781,492 |
| Goodwill impairment charge | 82,893 | | 111,900 | | | |
| Other net income (expense) | (40,570) | 9,201 | 31,656 | (1,767) | (14,465) | (4,459) |
| Provision for income taxes | 70,478 | 119,525 | 53,302 | 105,000 | 74,885 | 98,600 |
| Income from continuing operations | $ 44,672 | $ 175,598 | $ 65,463 | $ 156,022 | $ 94,434 | $ 133,197 |

</TABLE>

RESULTS OF OPERATIONS

The following table sets forth, for the years indicated, the percentage relationship to revenue of certain items in the Company's consolidated statements of income and the percentage dollar changes of such items compared to the prior year. This table contains the "adjusted" results of the Company to exclude the reorganization and other special charges discussed above.

<TABLE>
<CAPTION>

| PERCENTAGE OF REVENUE (NOT INCLUDING REORGANIZATION AND OTHER SPECIAL CHARGES) | | | | PERCENTAGE OF DOLLAR INCREASE/(DECREASE) | |
|---|---|---|---|---|---|
| 1997 | 1996 | 1995 | | 1997 VS 1996 | 1996 vs 1995 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| 100% | 100% | 100% | Net sales | (3%) | 2.2% |
| 54.4 | 52.3 | 52.6 | Gross margin | .8 | 1.7 |
| 39.5 | 39.0 | 40.4 | Selling, general, and administrative | (1.9) | (1.1) |
| .4 | (.1) | (.2) | Other net income (expense) | 620.7 | 60.4 |
| 6.2 | 5.3 | 5.1 | Provision for income taxes | 13.8 | 6.5 |
| 9.1 | 7.9 | 6.9 | Income from continuing operations | 12.5 | 17.1 |

</TABLE>

The segment results discussed below reflect results from continuing operations, excluding the above mentioned reorganization and other special charges.

NET SALES - Net sales for the Company in 1997 decreased 3.0% from 1996. Net sales for the Deluxe Financial Services segment increased 4.7% to $1,543.3 million in 1997. The majority of the increase came from higher collection service volume. Additionally, volume from both financial institution and direct mail check offerings increased. These increases were partially offset by competitive pricing pressures on financial institution check printing products. The Deluxe Electronic Payment Systems segment experienced a sales increase of 10.5% to $143.6 million in 1997, mostly due to increased volumes in financial institution ATM processing and electronic benefits transfer. These sales increases at the Deluxe Electronic Payment Systems and the Deluxe Financial Services segments were offset by a 38.1% decrease to $232.5 million at the Deluxe Direct segment. This decrease was the result of the continuation of actions initiated in 1996 to increase the profitability of the segment. Such actions included sales of businesses within the segment, reduced catalog circulation, and the elimination of unprofitable product lines. Additionally, response rates for the direct mail businesses declined from 1996. Excluding the impact of the lost revenues from divestitures, the Company's consolidated net sales increased 3.5% from 1996.

In 1996, net sales for the Company increased 2.2% over 1995. Net sales for the Deluxe Financial Services segment increased 7.3% to $1,474.2 million. The majority of the increase came from increased sales of higher priced products in the financial institution check printing business and increased volume from direct mail checks. Additionally, collection service revenue increased due to acquisitions and increased sales volume. The Deluxe Electronic Payment Systems segment experienced a sales increase of 4.3% to $129.9 million in 1996, primarily due to increased volume in financial institution ATM processing. These sales increases were partially offset by a 14.2% decrease to $375.5 million for the Deluxe Direct segment. This decrease was the result of actions taken to increase the profitability of the segment, including sales of businesses, reduced catalog circulation, and the elimination of unprofitable product lines.

GROSS MARGIN - Consolidated gross margin for the Company was 54.0% in 1997, compared to 50.3% and 51.7% in 1996 and 1995, respectively. With the reorganization and other special charges excluded, consolidated gross margin for the Company was 54.4% in 1997, compared to 52.3% and 52.6% in 1996 and 1995,

respectively. The Deluxe Financial Services segment's gross margin increased to 58.1% in 1997 from 56.7% in 1996. The competitive pricing pressures experienced by the financial institution check printing business were more than offset by improved product mix and production efficiencies within this business, as well as reduced employee benefits costs due to a revision of the employee benefits program. Gross margin for the Deluxe Electronic Payment Systems segment increased to 19.0% in 1997 from 15.2% in 1996, due primarily to decreased consulting expenses and other cost containment initiatives. The Deluxe Direct segment's gross margin increased to 51.8% from 48.0% in 1996, due to better cost control and inventory management within the direct mail businesses and the sale of businesses with poorer margins.

The Deluxe Financial Services segment's gross margin was flat at 56.7% in 1996 and 56.8% in 1995. The gross margin for the Deluxe Electronic Payment Systems segment decreased to 15.2% in 1996 from 34.6% in 1995, due primarily to higher computer equipment rent expense, costs of infrastructure upgrades and software re-engineering, and higher telecommunication expense. Gross margin for the Deluxe Direct segment increased to 48.0% from 44.3% in 1995, due primarily to the sale of businesses with poorer margins, better cost containment and inventory management, and consolidation of products within the direct mail businesses.

SELLING, GENERAL, AND ADMINISTRATIVE - Selling, general, and administrative (SG&A) expenses for the Company were flat in 1997 compared to 1996. With the reorganization and other special charges discussed above excluded, SG&A expenses decreased $14.6 million, or 1.9%, in 1997. The Deluxe Financial Services segment's SG&A expenses increased 8.7% due primarily to financial institution check printing SG&A, which increased due to higher customer service call center volume and duplicate costs from maintaining an old customer service system as a new system was implemented. Although customer service call volume increased on an annual basis, call volume did decrease in the fourth quarter of 1997 as compared to the fourth quarter of 1996. During this time, the Company began charging customers for orders placed via telephone as opposed to electronic channels. Additionally, SG&A expenses increased within the collections, direct marketing and customer database management businesses as a result of growth. The Deluxe Electronic Payment Systems segment's SG&A expenses increased 10.4% due to legal expenses and human resources initiatives. The Deluxe Direct segment's SG&A expenses decreased 34.2% mainly due to the cessation of depreciation and amortization of the assets of the businesses held for sale, as well as reduced catalog costs due to simplified catalog designs and lower paper costs.

In 1996, SG&A expenses for the Company decreased $20.2 million, or 2.5%. With the reorganization and other special charges discussed above excluded, SG&A expenses decreased $8.9 million, or 1.1%, in 1996. The Deluxe Financial Services segment's SG&A expenses increased 5.4%, primarily in the financial institution check printing business, due to increased customer service call center volume and higher marketing expenditures for new products. The Deluxe Electronic Payment Systems segment's SG&A expenses decreased 8.0% due to lower consulting expenses. The Deluxe Direct segment's SG&A expenses decreased 14.8%, mainly due to planned catalog circulation decreases by the segment's direct mail businesses.

OTHER INCOME (EXPENSE) - Other expense for the Company was $40.6 million in 1997, compared to other income of $31.7 million in 1996 and other expense of $14.5 million in 1995. These changes were primarily due to the reorganization and other special charges discussed above. With these charges removed, other income was $9.2 million in 1997, compared to other expense of $1.8 million and $4.5 million in 1996 and 1995, respectively. The improvement in 1997 is due to gains realized from the sale of check printing facilities and increased investment earnings resulting from the investment of cash obtained through divestitures. The decrease in expense from 1995 to 1996 is due primarily to lower interest expense as a result of decreased borrowings.

PROVISION FOR INCOME TAXES - The Company's effective tax rate increased to 61.2% in 1997 from 44.9% in 1996 and 44.2% in 1995, due primarily to lower pretax income combined with an increasing base of non-deductible expenses consisting primarily of the non-deductible goodwill impairment charge recorded by the Company. In 1996, the effect of the goodwill impairment charge was offset by tax benefits recognized for the sales of businesses and businesses held for sale. With the effect of the reorganization and other special charges removed in each year, the Company's tax rate was 40.5%, 40.2%, and 42.5% in 1997, 1996, and 1995, respectively. The decrease in the 1996 rate from 1995 is due to an increase in adjusted pretax income, while the base of non-deductible expenses remained constant.

NET INCOME - 1997 net income decreased to $44.7 million from $65.5 million in 1996. The primary reason for the decrease was the higher amount of reorganization and other special charges discussed above. With the charges and their related tax effects removed, the Company's net income was $175.6 million and $156 million in 1997 and 1996, respectively.

1996 net income decreased to $65.5 million from $87 million in 1995. The primary reason for the decrease was the higher amount of reorganization and

other special charges discussed above. With the charges and their related tax effects removed, the Company had income from continuing operations of $156 million and $133.2 million in 1996 and 1995, respectively.

FINANCIAL CONDITION

LIQUIDITY - Cash provided by continuing operations was $294 million in 1997, compared to $290.6 million in 1996 and $214.6 million in 1995. Funds provided by operations are the Company's primary source of working capital for financing capital expenditures and paying dividends. The increase in 1997 over 1996 and 1995 was due to better cash management and improved profitability resulting from operating cost reductions. Working capital was $131.1 million as of December 31, 1997, compared to $108.1 million and $12.3 million on December 31, 1996 and 1995, respectively. The year-end current ratio for 1997 and 1996 was 1.3 to 1, compared to 1 to 1 for 1995. The increase over 1995 is primarily the result of cost savings from the Company's reorganization initiatives, cash proceeds from divestitures and lower capital expenditures. The Company anticipates that approximately $29.1 million of cash will be paid out in 1998 for restructuring charges, compared to $11.2 million in 1997.

CAPITAL RESOURCES - In 1997, the Company made one business acquisition and several divestitures from which the Company derived $1.1 million in net cash proceeds. In 1996, the Company made numerous business acquisitions and divestitures from which the Company derived $98.1 million in net cash proceeds. In 1995, the Company made one acquisition at a cost of $38.8 million.

Cash purchases of capital assets were $109.5 million in 1997, compared to $92 million in 1996 and $125.1 million in 1995. The Company anticipates capital expenditures of approximately $150 million in 1998 mainly for information technology systems upgrades and replacement as well as for productivity improvements.

The Company has uncommitted bank lines of credit for $170 million. The average amount drawn on those lines during 1997 was $3.1 million at a weighted average interest rate of 6.47%. There was no outstanding balance at December 31, 1997. At December 31, 1996, $17 million was outstanding at an interest rate of 6.5%. The Company also has in place a $150 million committed line of credit as support for commercial paper and as a source of cash. No commercial paper was outstanding at December 31, 1997 and 1996. Additionally, the Company has a shelf registration in place for the issuance of up to $300 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, acquisitions, and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of December 31, 1997 and 1996, no such notes were issued or outstanding.

Cash dividends totaled $121.3 million in 1997, compared to $122 million in 1996 and $122.1 million in 1995. Dividend payments were 271.6% of earnings in 1997, 186.3% in 1996, and 140.4% in 1995. In December 1996, the Company's board of directors amended the Company's stock repurchase plan to permit the repurchase of up to 10 million shares of Deluxe common stock. The board also approved the repurchase of up to 5 million of the 10 million approved shares under this plan. The Company repurchased 1.7 million shares in 1997.

YEAR 2000 - In 1996, the Company initiated a companywide program to prepare its computer systems and applications for the year 2000. During 1997, the Company identified the systems affected, determined a resolution strategy for each affected system, and began executing these resolution strategies. The Company expects either to modify or upgrade existing systems or replace some systems through other development projects. The Company expects to incur expense of $17 million over the next two years, consisting of both internal staff costs and consulting expenses, as it continues to implement its resolution strategy.

Because of the nature of the Company's business, the year 2000 issue would, if unaddressed, pose a significant business risk for the Company. The Company presently believes that with the planned modifications to existing systems and the replacement of other systems, the year 2000 compliance issue will be resolved in a timely manner and will not pose significant operational problems for the Company. Additionally, the Company has communicated with its suppliers and customers to determine their year 2000 readiness and the extent to which the Company is vulnerable to any third party year 2000 issues. However, there can be no guarantee that the systems of other companies upon which the Company's systems rely will be converted timely, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

OUTLOOK - In 1998, the Company will continue its efforts to reduce costs and improve productivity throughout the organization. At the same time, the Company will continue to invest in major infrastructure improvements. The Company also expects to complete a divestiture program by selling the two remaining non-strategic businesses in the Deluxe Direct segment and the international operations of the Deluxe Electronic Payment Systems segment.

With the major components of its reorganization nearing completion, the Company is now better positioned for growth. Its improved cash position, low debt, and available financing create the opportunity for the Company to enhance its products and services through internal developments and external alliances, partnerships, and acquisitions that are within its strategic focus.

The Company's ongoing changes related to organizational improvements and growth opportunities may require additional charges to earnings. These charges, however, should lessen as the Company completes its reorganization and focuses on its growth opportunities.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

/s/ J.A. Blanchard III — /s/ Thomas W. VanHimbergen

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

Thomas W. VanHimbergen
Senior Vice President and
Chief Financial Officer

January 26, 1998

## SIX-YEAR SUMMARY

<TABLE>
<CAPTION>

| Years ended December 31 (dollars in thousands, except per share amounts) | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net sales | $1,919,366 | $1,979,627 | $1,936,719 | $1,834,024 | $1,666,302 | $1,617,621 |
| Salaries and wages | 572,035 | 586,949 | 551,788 | 519,901 | 491,868 | 456,893 |
| Provision for income taxes | 70,478 | 53,302 | 74,885 | 102,453 | 94,052 | 121,999 |
| Income from continuing operations (1) | 44,672 | 65,463 | 94,434 | 144,253 | 141,861 | 202,784 |
| Return on sales | 2.33% | 3.31% | 4.88% | 7.87% | 8.51% | 12.54% |
| Per share - basic | .55 | .80 | 1.15 | 1.75 | 1.71 | 2.42 |
| Per share - diluted | .55 | .79 | 1.15 | 1.75 | 1.71 | 2.41 |
| Return on average shareholders' equity | 6.75% | 8.77% | 11.84% | 17.86% | 17.40% | 25.70% |
| Return on average assets | 3.84% | 5.30% | 7.40% | 11.50% | 11.57% | 17.64% |
| Net income (1) | 44,672 | 65,463 | 87,021 | 140,866 | 141,861 | 202,784 |
| Per share - basic | .55 | .80 | 1.06 | 1.71 | 1.71 | 2.42 |
| Per share - diluted | .55 | .79 | 1.06 | 1.71 | 1.71 | 2.41 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash dividends per share | 1.48 | 1.48 | 1.48 | 1.46 | 1.42 | 1.34 |
| Shareholders' equity | 610,248 | 712,916 | 780,374 | 814,393 | 801,249 | 829,808 |
| Purchases of capital assets | 109,500 | 92,038 | 125,068 | 126,226 | 60,990 | 64,114 |
| Depreciation and amortization expense | 97,269 | 106,636 | 103,303 | 85,906 | 72,320 | 66,615 |
| Working capital increase (decrease) | 22,911 | 95,857 | (118,116) | (94,086) | (162,387) | 55,975 |
| Total assets | 1,148,364 | 1,176,440 | 1,295,095 | 1,256,272 | 1,251,994 | 1,199,556 |
| Long-term debt | 109,986 | 108,622 | 110,997 | 110,867 | 110,755 | 115,522 |
| Debt to capital ratio | 15.98% | 14.56% | 15.75% | 15.68% | 16.02% | |
| 14.91% | | | | | | |
| Average common shares outstanding (thousands) | 81,854 | 82,311 | 82,420 | 82,400 | 82,936 | 83,861 |
| Number of employees | 18,937 | 19,643 | 19,286 | 18,839 | 17,748 | 17,400 |
| Number of production and service facilities | 68 | 81 | 81 | 78 | 73 | 85 |

</TABLE>

(1) Income from continuing operations and net income include reorganization and other special charges each year except 1992. Adjusted income from continuing operations excludes these charges and their tax effects. See Management's Discussion and Analysis on page 14.

[GRAPH]
WORKING CAPITAL

[GRAPH]
INCOME FROM CONTINUING OPERATIONS PER SHARE - BASIC(1)

[GRAPH]
ADJUSTED INCOME FROMM CONTINUING OPERATIONS PER SHARE - BASIC(1)

CONSOLIDATED
BALANCE SHEETS
<TABLE>
<CAPTION>

| December 31 (dollars in thousands) | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 171,438 | $ 142,571 |
| Marketable securities | 8,021 | |
| Trade accounts receivable | 151,201 | 145,475 |
| Inventories: | | |
| Raw material | 22,950 | 20,194 |
| Semi-finished goods | 9,132 | 14,549 |
| Finished goods | 23,768 | 21,295 |
| Supplies | 11,146 | 11,503 |
| Deferred advertising | 15,763 | 14,222 |
| Deferred income taxes | 50,345 | 31,413 |
| Prepaid expenses and other current assets | 48,849 | 48,302 |
| Total current assets | 512,613 | 449,524 |
| LONG-TERM INVESTMENTS | 52,910 | 59,138 |
| PROPERTY, PLANT, AND EQUIPMENT | | |
| Land | 38,832 | 42,563 |
| Buildings and improvements | 288,270 | 307,018 |
| Machinery and equipment | 562,637 | 553,955 |
| Construction in progress | 346 | 1,382 |
| Total | 890,085 | 904,918 |
| Less accumulated depreciation | 475,077 | 458,060 |
| Property, plant, and equipment - net | 415,008 | 446,858 |
| INTANGIBLES | | |
| Cost in excess of net assets acquired - net | 54,435 | 139,593 |
| Internal use software - net | 74,584 | 44,438 |
| Other intangible assets - net | 38,814 | 36,889 |
| Total intangibles | 167,833 | 220,920 |
| Total assets | $1,148,364 | $1,176,440 |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 73,516 | $ 63,810 |
| Accrued liabilities: | | |
| Wages, including vacation pay | 62,513 | 56,471 |
| Employee profit sharing and pension | 40,517 | 52,879 |
| Accrued income taxes | 31,960 | |
| Accrued rebates | 36,708 | 33,975 |
| Other | 129,263 | 110,625 |
| Short-term debt | | 17,011 |

| | | |
|---|---|---|
| Long-term debt due within one year | 7,078 | 6,606 |
| Total current liabilities | 381,555 | 341,377 |
| LONG-TERM DEBT | 109,986 | 108,622 |
| DEFERRED INCOME TAXES | 6,040 | 12,837 |
| OTHER LONG-TERM LIABILITIES | 40,535 | 688 |
| SHAREHOLDERS' EQUITY | | |
| Common shares $1 par value (authorized: 500,000,000 shares; issued: 1997 - 81,325,925 shares 1996 - 82,056,203 shares) | 81,326 | 82,056 |
| Additional paid-in capital | 4,758 | |
| Retained earnings | 525,302 | 631,151 |
| Unearned compensation | (649) | (937) |
| Cumulative translation adjustment | (489) | 646 |
| Shareholders' equity | 610,248 | 712,916 |
| Total liabilities and shareholders' equity | $1,148,364 | $1,176,440 |

</TABLE>

See Notes to Consolidated Financial Statements

CONSOLIDATED
STATEMENTS OF INCOME

<TABLE>
<CAPTION>

| Years ended December 31 (dollars in thousands, except per share amounts) | 1997 | 1996 | 1995 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| NET SALES | $ 1,919,366 | $ 1,979,627 | $ 1,936,719 |
| OPERATING EXPENSES | | | |
| Cost of sales | 883,187 | 983,444 | 935,587 |
| Selling, general, and administrative | 797,566 | 797,174 | 817,348 |
| Goodwill impairment charge | 82,893 | 111,900 | |
| Total | 1,763,646 | 1,892,518 | 1,752,935 |
| Income from operations | 155,720 | 87,109 | 183,784 |
| OTHER INCOME (EXPENSE) | | | |
| Other income (expense) | (31,748) | 42,305 | (1,404) |
| Interest expense | (8,822) | (10,649) | (13,061) |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 115,150 | 118,765 | 169,319 |
| PROVISION FOR INCOME TAXES | 70,478 | 53,302 | 74,885 |
| INCOME FROM CONTINUING OPERATIONS | 44,672 | 65,463 | 94,434 |
| DISCONTINUED OPERATIONS | | | |
| Loss from operations (net of income tax benefit of $2,146) | | | (3,098) |
| Loss on disposal (net of income tax benefit of $2,985) | | | (4,315) |
| LOSS FROM DISCONTINUED OPERATIONS | | | (7,413) |
| NET INCOME | $ 44,672 | $ 65,463 | $ 87,021 |
| BASIC EARNINGS PER SHARE | | | |
| Income from continuing operations | $ .55 | $ .80 | $ 1.15 |
| Loss from discontinued operations | | | (.09) |
| NET INCOME PER SHARE - BASIC | $ .55 | $ .80 | $ 1.06 |
| DILUTED EARNINGS PER SHARE | | | |
| Income from continuing operations | $ .55 | $ .79 | $ 1.15 |
| Loss from discontinued operations | | | (.09) |
| NET INCOME PER SHARE - DILUTED | $ .55 | $ .79 | $ 1.06 |
| CASH DIVIDENDS PER COMMON SHARE | $ 1.48 | $ 1.48 | $ 1.48 |

</TABLE>

See Notes to Consolidated Financial Statements

CONSOLIDATED
STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| Years ended December 31 (dollars in thousands) | 1997 | 1996 | 1995 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| NET INCOME | $ 44,672 | $ 65,463 | $ 87,021 |
| Discontinued operations | | | 7,413 |
| INCOME FROM CONTINUING OPERATIONS | 44,672 | 65,463 | 94,434 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | | |
| Depreciation | 68,816 | 66,269 | 69,027 |
| Amortization of intangibles | 28,453 | 40,367 | 34,276 |
| Goodwill impairment charge | 82,893 | 111,900 | |
| Stock purchase discount | 6,654 | 7,478 | 8,185 |
| Net gain on sales of businesses | (866) | (37,007) | |
| Deferred income taxes | (25,733) | (20,690) | (9,201) |
| Changes in assets and liabilities, net of effects from acquisitions, discontinued operations, and sales of businesses: | | | |
| Trade accounts receivable | (5,806) | 13,082 | (24,949) |
| Inventories | 266 | 13,367 | 12,893 |
| Accounts payable | 9,678 | (11,456) | 6,631 |
| Other assets and liabilities | 84,979 | 41,870 | 23,346 |
| Net cash provided by continuing operations | 294,006 | 290,643 | 214,642 |
| Net cash provided by (used in) discontinued operations | 1,772 | 60 | (5,315) |
| Net cash provided by operating activities | 295,778 | 290,703 | 209,327 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales of marketable securities with maturities of more than 3 months | | 6,250 | 28,878 |
| Purchases of marketable securities with maturities of more than 3 months | (8,000) | | |
| Net reductions of marketable securities with maturities of 3 months or less | | | 16,000 |
| Purchases of capital assets | (109,500) | (92,038) | (125,068) |
| Payments for acquisitions, net of cash acquired | (10,600) | (15,098) | (37,313) |
| Net proceeds from sales of businesses and discontinued operations, net of cash sold | 21,627 | 112,913 | |
| Other | 17,111 | 11,488 | (2,858) |
| Net cash (used in) provided by investing activities | (89,362) | 23,515 | (120,361) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net (payments on) proceeds from short-term debt | (16,783) | (32,428) | 36,312 |
| Payments on long-term debt | (6,818) | (10,934) | (8,918) |
| Payments to retire common stock | (56,281) | (48,065) | |

| | | | |
|---|---|---|---|
| (34,715) | | | |
| Proceeds from issuing stock under employee plans | 23,654 | 28,088 | |
| 25,027 | | | |
| Cash dividends paid to shareholders | (121,321) | (121,976) | |
| (122,143) | | | |
| Net cash used in financing activities | (177,549) | (185,315) | |
| (104,437) | | | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 28,867 | 128,903 | |
| (15,471) | | | |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 142,571 | 13,668 | |
| 29,139 | | | |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 171,438 | $ 142,571 | $ |
| 13,668 | | | |
| Supplementary cash flow disclosure: | | | |
| Interest paid | $ 10,540 | $ 12,001 | $ |
| 12,519 | | | |
| Income taxes paid | $ 63,612 | $ 83,600 | $ |
| 93,023 | | | |

</TABLE>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

NOTE ONE
SIGNIFICANT ACCOUNTING POLICIES

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

CASH AND CASH EQUIVALENTS - The Company considers all cash on hand, money market funds, and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value.

MARKETABLE SECURITIES - Marketable securities consist of debt and equity securities. They are classified as available for sale and carried at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. At December 31, 1997 and 1996, there were no unrealized gains or losses relating to the securities held on those dates. Realized gains and losses and permanent declines in value are included in other income. The cost of securities sold is determined using the specific identification method.

INVENTORY - Inventory is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for substantially all inventory. LIFO inventories at December 31, 1997 and 1996, were approximately $8.5 million and $11.6 million, respectively, less than replacement cost.

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

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

<TABLE>
<CAPTION>

| | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| Cost in excess of net assets acquired | $ 318,579 | $ 317,315 |
| Internal use software | 94,826 | 57,358 |
| Other intangible assets | 103,682 | 89,223 |
| Total | $ 517,087 | $ 463,896 |
| Less goodwill impairment charge (see note 4) | (194,793) | (111,900) |
| Less other accumulated amortization | (154,461) | (131,076) |
| Intangibles - net | $ 167,833 | $ 220,920 |

</TABLE>

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

IMPAIRMENT OF LONG-LIVED ASSETS - The Company evaluates the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. There were no material adjustments in 1997, 1996, or 1995 to the carrying value of long-lived assets to be held and used.

The Company evaluates the recoverability of long-lived assets held for disposal by comparing the asset's carrying amount with its fair value less cost to sell. In keeping with this policy, the Company recorded a charge of $99 million in 1997 and $111.9 million in 1996 to write down businesses held for sale within its Deluxe Direct and Deluxe Electronic Payment Systems segments (see note 4).

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

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

DEFERRED ADVERTISING - These costs consist of materials, production, postage, and design expenditures required to produce catalogs for the Company's direct mail businesses. Such costs are amortized over periods (generally less than 12 months) that correspond to the estimated revenue streams of the individual catalogs. The actual timing of these revenue streams may differ from these estimates. The total amount of deferred advertising amortization for 1997, 1996, and 1995 was $101.3 million, $107.4 million, and $126.3 million, respectively.

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

EMPLOYEE STOCK-BASED COMPENSATION - As permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company continues to account for its employee stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for fixed stock options issued under the Company's stock incentive plan. The Company has adopted the disclosure-only provisions of SFAS No. 123 (see note 8).

RECLASSIFICATIONS - Effective October 1, 1997, the Company elected to reclassify certain expenses in its consolidated statements of income. As a result, net sales, cost of sales, and selling, general, and administrative expense have been restated for all prior periods to reflect these new classifications. The Company now reflects postage expense incurred by its financial institution check printing operations as cost of sales. Previously, this expense was included in net sales. The effect of this reclassification was to increase net sales and cost of sales expense by $92.9 million, $84 million, and $79.5 million for the

years ended December 31, 1997, 1996, and 1995, respectively. The Company reclassified all of its employee profit sharing and pension expense and its employee bonus and stock purchase discount expense to cost of sales and selling, general, and administrative expense. The effect of this reclassification was to increase cost of sales by $26 million, $37.2 million, and $34.3 million and to increase selling, general, and administrative expense by $31.8 million, $34.8 million, and $45.2 million for the years ended December 31, 1997, 1996, and 1995, respectively. Additionally, certain other costs of the financial institution check printing operations have been reclassified. Costs of the order entry function and certain accounting and information services have been reclassified from cost of sales to selling, general, and administrative expense, and costs related to reprinting check orders have been reclassified from selling, general, and administrative expense to cost of sales. These reclassifications resulted in a decrease to cost of sales and an increase to selling, general, and administrative expense of $31.8 million, $31.5 million, and $36.2 million for the years ended December 31, 1997, 1996 and 1995, respectively. Finally, certain minor amounts reported in 1996 and 1995 have been reclassified to conform with the 1997 presentation. These changes had no significant impact on previously reported results of operations or shareholders' equity.

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

NEW ACCOUNTING PRONOUNCEMENTS - In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income," which requires businesses to disclose comprehensive income and its components in their general purpose financial statements. This statement is effective for the Company on January 1, 1998. Also in June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which redefines how operating segments are determined and requires the disclosure of certain financial and descriptive information about these segments. This statement is effective for the Company on January 1, 1998. In February, 1998, the FASB issued SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits," which revises the disclosure requirements for pensions and other postretirement benefits. This statement is effective for the Company on January 1, 1998. In March 1998, the Accounting Standards Executive Committee (AcSEC) of the American Institute of CPA's issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance on accounting for the costs of internal-use computer software. This statement is effective for the Company on January 1, 1999. The Company anticipates that the effect of these pronouncements will not have a material impact on reported operating results.

NOTE TWO
EARNINGS PER SHARE

Effective December 1997, the Company adopted SFAS No. 128, "Earnings per Share." Earnings per share amounts presented for 1996 and 1995 have been restated to reflect this adoption. The following table reflects the calculation of basic and diluted earnings per share (dollars and shares outstanding in thousands, except per share amounts).

<TABLE>
<CAPTION>

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Income from continuing operations per share - basic: | | | |
| Income from continuing operations | $44,672 | $65,463 | $94,434 |
| Weighted average shares outstanding | 81,854 | 82,311 | 82,420 |
| Income from continuing operations per share - basic | $ .55 | $ .80 | $ 1.15 |
| Income from continuing operations per share - diluted: | | | |
| Income from continuing operations | $44,672 | $65,463 | $94,434 |
| Weighted average shares outstanding | 81,854 | 82,311 | 82,420 |
| Dilutive impact of options | 92 | 121 | 40 |
| Shares contingently issuable | 11 | 1 | 2 |
| Weighted average shares and potential dilutive shares outstanding | 81,957 | 82,433 | 82,462 |
| Income from continuing operations per share - diluted | $ .55 | $ .79 | $ 1.15 |

</TABLE>

During 1997, 1996, and 1995, respectively, options to purchase .7 million, .9 million, and 1.4 million shares of common stock were outstanding but were not included in the computation of diluted earnings per share. These options' exercise prices were greater than the average market price of the common shares during the respective periods.

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

NOTE THREE
RESTRUCTURING CHARGE

In the first quarter of 1996, the Company announced a plan to close 21 of its financial institution check printing plants over a two-year period. The plant closings were made possible by advancements in the Company's telecommunications, order processing, and printing technologies. Upon the completion of this restructuring, the Company's 15 remaining plants will be equipped with sufficient capacity to produce at or above current order volumes. Also, during the first quarter of 1996, the Company announced a plan to move the operating and administrative facilities of one of its direct mail businesses from New Jersey to Colorado. In conjunction with these plans, the Company recorded a pretax restructuring charge of $45.4 million in 1996. The charge consisted of estimated costs for asset dispositions ($9 million) and employee severance ($36.4 million). This charge is reflected in cost of sales ($35.2 million) and selling, general, and administrative expense ($10.2 million) in the 1996 consolidated statement of income. As of December 31, 1997, 18 of the 21 plants had been fully or partially closed. The remaining plants will be closed during 1998 and the first half of 1999.

During the third quarter of 1997, the Company recorded pretax restructuring charges of $24.5 million. The restructuring charges include additional costs for closing the 21 plants discussed above and costs associated with the continued consolidation of the Company's core businesses. The additional charge for plant closing costs represents amounts which could not be recorded in 1996 because they did not meet the requirements for accrual in that year due to the timeframe over which the plant closing plan was expected to be completed. The restructuring charges consisted of employee severance costs of $21.6 million and $2.9 million for expected losses on the disposition of assets. Expenses of $7.7 million were included in cost of sales; $13.9 million was included in selling, general, and administrative expense, and $2.9 million was included in other expense in the 1997 consolidated statement of income.

The Company's consolidated balance sheets reflect restructuring accruals of $39.5 million and $29.1 million as of December 31, 1997 and 1996, respectively, for employee severance costs, and $3.7 million and $3.8 million as of December 31, 1997 and 1996, respectively, for estimated losses on asset dispositions. The majority of the severance costs are expected to be paid in 1998 and early 1999 with cash generated from the Company's operations.

NOTE FOUR
IMPAIRMENT LOSSES

During December 1996, the Company announced its plans to divest three of the businesses in the Deluxe Direct segment - Nelco, Inc., PaperDirect, Inc., and the Social Expressions unit of Current, Inc. Based on fair market value estimates at that time, the Company recorded a $111.9 million charge to write down the carrying amounts of these businesses to estimated fair value less cost to sell. Additionally, in September 1997, the Company determined that it would dispose of the international operations of the Deluxe Electronic Payment Systems segment. Based on fair market value estimates of these international operations and changes in the fair market value of the PaperDirect and Social Expressions businesses, the Company recorded an additional charge of $99 million in 1997 to write down the carrying amounts of these businesses to estimated fair value less cost to sell. The 1997 charge is included in the 1997 consolidated statement of income in goodwill impairment charge ($82.9 million) and selling, general, and administrative expense ($16.1 million). The 1996 charge is reflected in goodwill impairment charge. The Company will not depreciate or amortize any of the long-term assets of these businesses while they are held for disposal. The Company anticipates completing these disposal efforts in 1998. At December 31, 1997 and 1996, the aggregate remaining carrying amount of businesses held for sale was $83 million and $158.5 million, respectively. Together, these businesses recorded sales of $243.2 million, $275.3 million, and $323.9 million and contributed a net loss of $4.2 million, $17.4 million, and $35.3 million in 1997, 1996, and 1995, respectively, excluding the impairment charges in 1997 and 1996.

NOTE FIVE
BUSINESS COMBINATIONS

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

1997 ACQUISITIONS - During 1997, the Company acquired substantially all of the assets of Fusion Marketing Group, Inc., for $10.6 million. Fusion provides customized database marketing services to financial institutions. Under the purchase agreement, the Company may have to pay additional amounts through the year 2000, contingent on the future earnings of the Fusion business. The acquisition was accounted for under the purchase method. Accordingly, the consolidated financial statements of the Company include the results of this business subsequent to its acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. The total cost in excess of net assets acquired of $9.6 million was recorded as goodwill and is being amortized over 15 years. The effect of this acquisition was not material to the Company's operations.

1996 DIVESTITURES - During 1996, the Company sold its Health Care Forms, T/Maker Company, Financial Alliance Processing Services, Inc., U.K. forms, and internal bank forms businesses. The aggregate sales price for these businesses was $133.3 million consisting of cash proceeds of $116.7 million and notes receivable of $16.6 million. The resultant aggregate net gain on these sales was $37 million. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates. In aggregate, the financial statements of the Company include revenues from these businesses of $118.1 million and $133.2 million in 1996 and 1995, respectively. Also, they contributed net income of $2.6 million in 1996 and net losses of $9.3 million in 1995.

1996 ACQUISITIONS - During 1996, the Company purchased a number of businesses in the payment protection and database marketing fields. The aggregate amount paid for these acquisitions was $18.6 million. Additionally, under the purchase agreements, the Company may have to pay additional amounts up to $14.3 million contingent on the future net earnings of some of the acquired businesses.

Each acquisition was accounted for using the purchase method. Accordingly, the consolidated financial statements of the Company include the results of these businesses subsequent to their purchase dates. The purchase price for each acquisition was allocated to the assets acquired and liabilities assumed based on their fair values at the time of purchase. The aggregate cost in excess of net assets acquired for these acquisitions was $16.5 million, which was recorded as goodwill and is being amortized over periods ranging from five to 25 years. The combined effect of these acquisitions did not have a material pro forma impact on the operations of the Company.

1996 JOINT VENTURE - During 1997, the Company completed its 1996 agreement to form a joint venture with HCL Corporation of India. This venture provides software development and other services to financial institutions in the United States and in certain foreign countries. The joint venture commenced operations in September 1997. The results of the joint venture did not have a material effect on the Company's operations in 1997.

1995 ACQUISITIONS - On January 10, 1995, the Company acquired all of the outstanding stock of Financial Alliance Processing Services, Inc., a provider of merchant credit card processing, for $38.8 million. The acquisition was accounted for under the purchase method. Accordingly, the purchase price was allocated to the net assets acquired based on their fair values on the date of purchase. The total cost in excess of the fair value of the net assets acquired of $36.6 million was recorded as goodwill and was being amortized over a 10-year period. In December 1996, the Company sold all of its capital interest in Financial Alliance Processing Services, Inc. The effect of this acquisition and subsequent divestiture did not have a material pro forma impact on the Company's operations.

NOTE SIX
MARKETABLE SECURITIES

On December 31, 1997, the Company held marketable securities of $8 million. In aggregate, the fair market value of these securities approximated cost. Debt securities (included in cash and cash equivalents) held on December 31, 1997 and 1996, of $129.7 million and $73.3 million, respectively, were highly liquid and had experienced no material aggregate unrealized holding gains or losses as of these dates.

There were no sales of marketable securities in 1997. Proceeds from sales of marketable securities available for sale were $6.3 million and $54.6 million in 1996 and 1995, respectively. The Company realized net losses of $36,000 and $1.1 million in 1996 and 1995, respectively, on these sales.

NOTE SEVEN
PROVISION FOR INCOME TAXES

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

<TABLE>
<CAPTION>

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Current tax provision: | | | |
| Federal | $ 84,392 | $ 67,749 | $71,884 |
| State | 14,062 | 11,794 | 17,845 |
| Total | 98,454 | 79,543 | 89,729 |
| Deferred tax (benefit) provision: | | | |
| Federal | (23,876) | (29,581) | (10,587) |
| State | (4,100) | 3,340 | (4,257) |
| Total | $ 70,478 | $ 53,302 | $74,885 |

</TABLE>

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

<TABLE>
<CAPTION>

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Income tax at Federal statutory rate | $40,303 | $ 41,568 | $59,262 |
| State income taxes net of Federal income tax benefit | 6,442 | 9,837 | 8,832 |
| Amortization and write-down of non-deductible intangibles | 32,116 | 44,170 | 5,978 |
| Recognition of excess of tax basis over book investment in subsidiaries sold and held for disposal | (3,786) | (45,430) | |
| Change in valuation allowance | 1,024 | 7,496 | 4,355 |
| Other | (5,621) | (4,339) | (3,542) |
| Provision for income taxes | $70,478 | $ 53,302 | $74,885 |

</TABLE>

Tax effected temporary differences which give rise to a significant portion of deferred tax assets and liabilities at December 31, 1997 and 1996, are as follows (dollars in thousands):

<TABLE>
<CAPTION>

| | 1997 | | 1996 | |
|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| <S> | <C> | <C> | <C> | <C> |
| Property, plant, and equipment | | $ 21,412 | | $26,879 |
| Deferred advertising | | 2,994 | | 5,129 |
| Employee benefit plans | $ 12,599 | | $ 11,270 | |
| Inventory | 1,755 | | 3,077 | |
| Intangibles | | 19,280 | | 9,284 |
| Foreign net operating loss carry forwards | 10,447 | | 8,059 | |
| Excess of tax basis over book investment in subsidiaries held for disposal | 34,203 | | 30,417 | |
| Restructuring accrual | 18,419 | | 12,898 | |
| Reserve for legal proceedings | 13,991 | | | |
| Miscellaneous reserves and accruals | 7,213 | | 8,868 | |
| All other | 13,638 | 7,111 | 8,490 | 7,017 |
| Subtotal | 112,265 | 50,797 | 83,079 | 48,309 |
| Valuation allowance | (17,163) | | (16,194) | |
| Total deferred taxes | $ 95,102 | $50,797 | $ 66,885 | $48,309 |

</TABLE>

</TABLE>

In accordance with SFAS No. 109, "Accounting for Income Taxes," the Company does not recognize deferred tax assets for the excess of tax basis over the basis for financial reporting of investments in subsidiaries until it becomes apparent that these temporary differences will reverse in the foreseeable future. The tax benefit arising from the difference in tax and financial reporting bases in subsidiaries was recognized in 1996 for those subsidiaries sold during the year (see note 5). Additionally, in December 1996, the Company announced its intention to sell certain businesses within its Deluxe Direct segment. The deferred tax assets relating to the investments in these subsidiaries were reflected in the Company's consolidated financial statements at December 31, 1997 and 1996, to the extent that realization of such benefits was more likely than not. The remainder of the valuation allowance at December 31, 1997 and 1996, relates to the uncertainty of realizing foreign deferred tax assets.

NOTE EIGHT
EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

STOCK PURCHASE PLAN - The Company has an employee stock purchase plan that enables eligible employees to purchase the Company's common stock at 75% of its fair market value on the first business day following each three-month purchase period. Compensation expense recognized for the difference between the employees' purchase price and the fair value of the stock was $6.7 million, $7.5 million, and $8.2 million in 1997, 1996, and 1995, respectively. Under the plan, 840,143, 907,424, and 1,121,153 shares were issued at prices ranging from $22.88 to $24.75, $22.41 to $28.04, and $20.07 to $24.00 in 1997, 1996, and 1995, respectively.

STOCK INCENTIVE PLAN - Under the stock incentive plan, stock-based awards may be issued to employees via a broad range of methods, including non-qualified or incentive stock options, restricted stock and restricted stock units, stock appreciation rights, and other awards based on the value of the Company's common stock. The plan was amended in 1996 to reserve an aggregate of 7 million shares of common stock for issuance under the plan. Through 1997, the Company has issued restricted shares and restricted stock units, and non-qualified and incentive stock options. At December 31, 1997, options for 4.9 million shares remain available for issuance under the plan.

All options allow for the purchase of shares of common stock at prices equal to their market value at the date of grant. Options become exercisable in varying amounts beginning generally one year after the date of grant. Information regarding the options issued under the current plan, which was adopted in 1994, and the remaining options outstanding under the former plan adopted in 1984, is as follows:

<TABLE>
<CAPTION>

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| <S> | <C> | <C> |
| Outstanding at January 1, 1995 | 2,212,149 | $35.04 |
| Granted | 204,899 | 30.33 |
| Exercised | (44,566) | 28.43 |
| Canceled | (224,909) | 34.85 |
| Outstanding at December 31, 1995 | 2,147,573 | $34.81 |
| Granted | 631,250 | 30.63 |
| Exercised | (144,039) | 30.71 |
| Canceled | (496,225) | 34.54 |
| Outstanding at December 31, 1996 | 2,138,559 | $33.92 |
| Granted | 808,400 | 30.92 |
| Exercised | (126,100) | 29.25 |
| Canceled | (317,507) | 35.07 |
| Outstanding at December 31, 1997 | 2,503,352 | $33.04 |

</TABLE>

For options outstanding and exercisable at December 31, 1997, the exercise price ranges and average remaining lives were as follows:

<TABLE>
<CAPTION>

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| - | | | | | |

| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Life | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| $24.25 to $35.125 | 1,869,297 | 7.5 years | $30.26 | 943,861 | $29.82 |
| $35.50 to $45.875 | 634,055 | 5.0 years | $41.23 | 614,055 | $41.30 |
| | 2,503,352 | 6.8 years | $33.04 | 1,557,916 | $34.34 |

</TABLE>

The Company issued 72,581, 19,752, and 66,399 restricted shares and restricted stock units at weighted average fair values of $31.52, $35.25, and $30.22 during 1997, 1996, and 1995, respectively. These awards generally vest over periods ranging from one to five years.

Pro forma information regarding net income and income per share has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No. 123. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of about 6%, dividend yield of approximately 4%, and expected volatility of 23%. The weighted-average expected option life was 7.17 years, 6.90 years, and 7.12 years for 1997, 1996, and 1995, respectively. The weighted-average fair value of options granted in 1997, 1996, and 1995 was $7.49, $6.86, and $6.99 per share, respectively. For purposes of pro forma disclosures, the estimated fair value of the options was recognized as expense over the options' vesting periods. The Company's pro forma net income and income per share were as follows (dollars in thousands, except per share amounts):

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Net income: | | | |
| As reported | $44,672 | $65,463 | $87,021 |
| Pro forma | 44,536 | 63,353 | 86,801 |
| Basic net income per share: | | | |
| As reported | $ .55 | $ .80 | $ 1.06 |
| Pro forma | .54 | .77 | 1.05 |
| Diluted net income per share: | | | |
| As reported | $ .55 | $ .79 | $ 1.06 |
| Pro forma | .54 | .77 | 1.05 |

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

PROFIT SHARING, DEFINED CONTRIBUTION AND 401(k) PLANS - The Company maintains profit sharing plans, a defined contribution pension plan, and plans established under section 401(k) of the Internal Revenue Code to provide retirement for certain of its employees. The plans cover substantially all full-time employees with at least 15 months of service. Contributions to the profit sharing and defined contribution plans are made solely by the Company. Employees may contribute up to 5% of their wages to the 401(k) plan. The Company will match 100% of amounts up to 1% of wages contributed and 50% of the remaining funds contributed. All contributions are remitted to the plans' respective trustees, and benefits provided by the plans are paid from accumulated funds by the trustees.

Contributions to the defined contribution plan equaled 6% of eligible compensation in 1997, 1996, and 1995. Related expense for these years was $18.6 million, $19.9 million, and $20.8 million, respectively. Contributions to the profit sharing plans vary based on the Company's performance. Expense for these plans was $25.6 million, $44.5 million, and $50.6 million in 1997, 1996, and 1995, respectively. The 401(k) plan was established on January 1, 1997. Company contributions to the 401(k) plan were $7 million in 1997.

NOTE NINE
POSTRETIREMENT BENEFITS

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

are qualified retirees at the time of termination with a bridge for retiree medical benefits if they are terminated prior to age 53.

The following table summarizes the funded status of the plan at December 31 (dollars in thousands):

<TABLE>
<CAPTION>

| | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| Accumulated postretirement benefit obligation: | | |
| Retirees | $49,347 | $46,645 |
| Fully eligible plan participants | 64 | 38 |
| Other active participants | 16,772 | 12,462 |
| Total | 66,183 | 59,145 |
| Less: | | |
| Fair value of plan assets (debt and equity securities) | 60,203 | 51,828 |
| Unrecognized prior service cost | 1,621 | 1,891 |
| Unrecognized net gain | (2,364) | (3,309) |
| Unrecognized transition obligation | 10,192 | 10,872 |
| Prepaid postretirement asset recognized in the consolidated balance sheets | $ (3,469) | $ (2,137) |

</TABLE>

Net postretirement benefit cost for the year ended December 31 consisted of the following components (dollars in thousands):

<TABLE>
<CAPTION>

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Service cost - benefits earned during the year | $ 877 | $ 899 | $ 474 |
| Interest cost on the accumulated postretirement benefit obligation | 4,163 | 4,416 | 4,392 |
| Actual return on plan assets | (11,133) | (7,126) | (9,897) |
| Amortization of transition obligation | 680 | 1,025 | 1,140 |
| Net amortization and deferral of gains and losses | 6,345 | 3,194 | 6,604 |
| Net postretirement benefit cost | 932 | 2,408 | 2,713 |
| Curtailment loss | | 3,019 | |
| Total postretirement benefit cost | $ 932 | $ 5,427 | $ 2,713 |

</TABLE>

As a result of the 1996 plan to close 21 financial institution check printing plants (see note 3) and the sale of the Company's Health Care Forms and internal bank forms businesses in 1996 (see note 5), the Company recognized a postretirement benefit curtailment loss of $3 million in 1996.

In measuring the accumulated postretirement benefit obligation as of December 31, 1997, the Company's health care inflation rate for 1998 was assumed to be 7%. Inflation rates are assumed to trend downward gradually over the next three years to 5% for the years 2000 and beyond. A one percentage point increase in the health care inflation rate for each year would increase the accumulated postretirement benefit obligation by approximately $9.7 million, and the service and interest cost components of the net postretirement benefit cost by approximately $.8 million. The discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 1997 and 1996, was 7.25%. The expected long-term rate of return on plan assets used to determine the net periodic postretirement benefit cost was 9.5% in 1997 and 1996.

## NOTE TEN
## LEASE AND DEBT COMMITMENTS

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

<TABLE>
<CAPTION>

| | 1997 | 1996 |
|---|---|---|
| <S> | <C> | <C> |
| 8.55% unsecured and unsubordinated notes due February 15, 2001 | $100,000 | $100,000 |
| Other | 17,064 | 15,228 |

| | | |
|---|---|---|
| Total long-term debt | 117,064 | 115,228 |
| Less amount due within one year | 7,078 | 6,606 |
| Total | $109,986 | $108,622 |

</TABLE>

In February 1991, the Company issued $100 million of 8.55% unsecured and unsubordinated notes due February 15, 2001. The notes are not redeemable prior to maturity. The fair values of these notes were estimated to be $106.7 million and $107 million at December 31, 1997 and 1996, respectively, based on quoted market prices.

Other long-term debt consists principally of capital leases on equipment and payments due under non-compete agreements. The capital lease obligations bear interest rates of 4% to 21% and are due through the year 2012. Carrying value materially approximates fair value for these obligations.

Maturities of long-term debt for the five years ending December 31, 2002, are $7.1 million, $7 million, $.9 million, $100.8 million, and $.7 million, and $.6 million thereafter.

The Company has uncommitted bank lines of credit for $170 million. The average amount drawn on those lines during 1997 was $3.1 million at a weighted average interest rate of 6.47%. There was no outstanding balance at December 31, 1997. At December 31, 1996, $17 million was outstanding at an interest rate of 6.5%. The Company also has in place a $150 million committed line of credit as support for commercial paper and as a source of cash. No commercial paper was outstanding at December 31, 1997 and 1996. Additionally, the Company has a shelf registration in place for the issuance of up to $300 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions, and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of December 31, 1997 and 1996, no such notes were issued or outstanding.

Minimum future rental payments for leased facilities and equipment for the five years ending December 31, 2002, are $32.5 million, $26.1 million, $17.2 million, $8.8 million, and $4.9 million, and $4.4 million thereafter. Rental expense was $40.9 million, $40.4 million, and $44.3 million for 1997, 1996, and 1995, respectively.

## NOTE ELEVEN
## COMMON STOCK PURCHASE RIGHTS

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

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

## NOTE TWELVE
## SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

| (Dollars in thousands) | Common shares | Additional paid-in capital | Retained earnings | Unearned compensation | Unrealized gain (loss) on marketable securities | Cumulative translation adjustment |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance, December 31, 1994 | $82,375 | $ 1,694 | $ 732,158 | $ (149) | $ (2,054) | $ 369 |
| Net income | | | 87,021 | | | |
| Cash dividends | | | (122,143) | | | |
| Common stock issued | 1,180 | 33,285 | | | | |
| Common stock retired | (1,191) | (33,524) | | | | |
| Unearned compensation | | | | (590) | | |
| Unrealized fair value adjustments, net of taxes of $977 | | | | | 1,812 | |
| Translation adjustment | | | | | | 131 |
| Balance, December 31, 1995 | 82,364 | 1,455 | 697,036 | (739) | (242) | 500 |
| Net income | | | 65,463 | | | |
| Cash dividends | | | (121,976) | | | |
| Common stock issued | 1,106 | 35,824 | | | | |
| Common stock retired | (1,414) | (37,279) | (9,372) | | | |
| Unearned compensation | | | | (198) | | |
| Unrealized fair value adjustments, net of taxes of $130 | | | | | 242 | |
| Translation adjustment | | | | | | 146 |
| Balance, December 31, 1996 | 82,056 | 0 | 631,151 | (937) | 0 | 646 |
| Net income | | | 44,672 | | | |
| Cash dividends | | | (121,321) | | | |
| Common stock issued | 985 | 30,124 | | | | |
| Common stock retired | (1,715) | (25,366) | (29,200) | | | |
| Unearned compensation | | | | 288 | | |
| Translation adjustment | | | | | | (1,135) |
| Balance, December 31, 1997 | $81,326 | $ 4,758 | $ 525,302 | $ (649) | $ 0 | $ (489) |

NOTE THIRTEEN
BUSINESS SEGMENT INFORMATION

The Company has classified its operations into three business segments: Deluxe Financial Services, Deluxe Electronic Payment Systems, and Deluxe Direct. Deluxe Financial Services provides check printing, direct marketing, customer database management, and related services to financial institutions; checks directly to households and small businesses; and payment protection and collections services to financial institutions and the retail market primarily in the United States. Deluxe Electronic Payment Systems provides debit transaction processing and other electronic banking functions in the United States and internationally. Deluxe Direct primarily sells greeting cards, stationery, and specialty paper products through direct mail to customers principally in the United States. As a result of the Company's reorganization process, the Company determined that the businesses in the Deluxe Direct segment do not fit into the Company's long-term plans. During 1996 and 1997, a number of these businesses were sold and the remaining portions of this business segment are expected to be sold in 1998.

For the three years ended December 31, 1997, the Company's segment information is as follows. The costs of the Company's corporate operations have been allocated to each segment based on the services provided to them. The restructuring charges (see note 3) and impairment losses (see note 4) recorded by the Company are reflected in the segment generating such charges.

<TABLE>
<CAPTION>

| 1997 (dollars in thousands) | Deluxe Financial Services | Deluxe Electronic Payment Systems | Deluxe Direct | Total |
|---|---|---|---|---|
| Net sales | $1,543,263 | $143,561 | $232,542 | $1,919,366 |
| Income (loss) from operations | 275,918 | (27,863) | (92,335) | 155,720 |
| Identifiable assets | 830,872 | 170,126 | 147,366 | 1,148,364 |
| Depreciation and amortization | 61,570 | 21,871 | 13,828 | 97,269 |
| Capital expenditures | 85,827 | 16,194 | 7,479 | 109,500 |
| 1996 | | | | |
| Net sales | $1,474,222 | $129,920 | $ 375,485 | $1,979,627 |
| Income (loss) from operations | 251,621 | (25,154) | (139,358) | 87,109 |
| Identifiable assets | 781,996 | 160,716 | 233,728 | 1,176,440 |
| Depreciation and amortization | 56,860 | 21,638 | 28,138 | 106,636 |
| Capital expenditures | 76,815 | 5,576 | 9,647 | 92,038 |

| | | | | |
|---|---|---|---|---|
| 1995 | | | | |
| Net sales | $1,374,435 | $124,509 | $ 437,775 | $1,936,719 |
| Income (loss) from operations | 257,330 | 1,778 | (75,324) | 183,784 |
| Identifiable assets | 628,773 | 135,851 | 530,471 | 1,295,095 |
| Depreciation and amortization | 53,606 | 18,291 | 31,406 | 103,303 |
| Capital expenditures | 75,662 | 19,330 | 30,076 | 125,068 |

</TABLE>

NOTE FOURTEEN
DISCONTINUED OPERATIONS

On November 29, 1995, the Company adopted a plan to exit the Printwise ink business. Accordingly, Printwise is reported as a discontinued operation for the year ended December 31, 1995. Net assets of the discontinued operation at December 31, 1995, consisted primarily of property, plant, and equipment. The Company disposed of substantially all the assets of the business in 1996. The loss on the disposal of Printwise did not differ significantly from the estimated loss as of December 31, 1995. Summarized results of Printwise for the year ended December 31, 1995, are as follows:

| Year ended December 31 (dollars in thousands) | 1995 |
|---|---|
| Net sales | $ 1,124 |
| Loss from operations before income tax benefit | (5,244) |
| Income tax benefit | 2,146 |
| Loss from operations | (3,098) |
| Loss on disposal before income tax benefit | (7,300) |
| Income tax benefit | 2,985 |
| Loss on disposal | (4,315) |
| Total loss on discontinued operations | $(7,413) |

NOTE FIFTEEN
LEGAL PROCEEDINGS

During 1997, a judgment was entered against Deluxe Electronic Payment Systems, Inc. (DEPS), in U.S. District Court in Pittsburgh. The case was brought against DEPS by Mellon Bank in connection with a potential bid to provide electronic benefits transfer services for the Southern Alliance of States. In September 1997, the Company recorded a pretax charge of $40 million to reserve for this judgment and other related costs. The Company has filed a notice of appeal from this judgment and has thus classified this obligation as other long-term liabilities in the December 31, 1997, consolidated balance sheet.

INDEPENDENT
AUDITORS' REPORT

To the Shareholders of Deluxe Corporation:

We have audited the accompanying consolidated balance sheets of Deluxe Corporation and its subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Deluxe Corporation and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December

31, 1997, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Minneapolis, Minnesota
January 26, 1998

## SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following net sales and cost of sales data differs from that reported in the Company's quarterly financial statements as reported on Form 10-Q due to the financial statement reclassifications outlined in note 1. The following per share net income data differs from that reported in the Company's quarterly financial statements as reported on Form 10-Q due to the application of Statement of Financial Accounting Standards No. 128, "Earnings per Share."

<TABLE>
<CAPTION>

| 1997 Quarter Ended | MARCH 31 | JUNE 30 | SEPTEMBER 30 | DECEMBER 31 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $490,104 | $463,750 | $466,908 | $498,604 |
| Cost of sales | 227,195 | 214,854 | 222,516 | 218,622 |
| Net income (loss) | 41,425 | 37,457 | (67,515)(1) | 33,305 |
| Per share of common stock | | | | |
| Net income (loss) - basic | .50 | .46 | (.82) | .41 |
| Net income (loss) - diluted | .50 | .46 | (.82) | .41 |
| Cash dividends | .37 | .37 | .37 | .37 |

| 1996 Quarter Ended | March 31 | June 30 | September 30 | December 31 |
|---|---|---|---|---|
| Net sales | $508,289 | $486,734 | $482,199 | $502,405 |
| Cost of sales | 270,885 | 234,320 | 232,829 | 245,410 |
| Net income (loss) | 18,921(2) | 38,056 | 33,524 | (25,038)(2) |
| Per share of common stock | | | | |
| Net income (loss) - basic | .23 | .46 | .41 | (.30) |
| Net income (loss) - diluted | .23 | .46 | .41 | (.30) |
| Cash dividends | .37 | .37 | .37 | .37 |

</TABLE>

(1) 1997 third quarter results include a pretax charge of $180 million, related primarily to impaired assets (see note 4), production consolidation (see note 3), legal proceedings (see note 15), and other balance sheet adjustments.

(2) 1996 first and fourth quarter results include net pretax charges of $34.8 million and $107.5 million, respectively, related to production consolidation (see note 3), goodwill impairment (see note 4), gains and losses on sales of businesses (see note 5), postretirement benefit curtailment loss (see note 9), and write-offs of non-performing assets.

## SHAREHOLDER INFORMATION

### QUARTERLY STOCK DATA

The charts below show the per-share price range of the Company's common stock for the past two fiscal years as quoted on the New York Stock Exchange.

[GRAPH]

| 1997 QUARTER | HIGH | LOW | CLOSE |
|---|---|---|---|
| 1st | 33 5/8 | 29 3/4 | 32 1/4 |
| 2nd | 34 9/16 | 29 3/4 | 34 1/8 |
| 3rd | 35 7/8 | 32 5/16 | 33 9/16 |
| 4th | 37 | 31 1/4 | 34 1/2 |

| 1996 QUARTER | HIGH | LOW | CLOSE |
|---|---|---|---|
| 1st | 33 5/8 | 27 | 31 3/8 |

| | | | |
|---|---|---|---|
| 2nd | 37 7/8 | 30 1/4 | 35 1/2 |
| 3rd | 39 3/4 | 33 | 37 3/4 |
| 4th | 39 3/8 | 29 3/4 | 32 3/4 |

STOCK EXCHANGE

Deluxe Corporation common stock is traded on the New York Stock Exchange under the symbol DLX.

ANNUAL MEETING

The annual meeting of the shareholders of Deluxe Corporation will be held Tuesday, May 5, 1998, at The Donald E. Benson Great Hall, Bethel College, 3900 Bethel Drive, St. Paul, Minnesota at 5 p.m.

FORM 10-K AVAILABLE

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission by the Company, may be obtained without charge by calling 1-888-359-6397 (1-888-DLX-NEWS) or by sending a written request to Stuart Alexander, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235.

SHAREHOLDER INQUIRIES

Requests for additional information should be sent to corporate headquarters to the attention of:
Stuart Alexander, Vice President
(612) 483-7358

STOCK OWNERSHIP AND RECORD KEEPING

Norwest Bank Minnesota N.A.
Stock Transfer Department
161 N. Concord Exchange
P.O. Box 64854
St. Paul, Minnesota 55164-0854
(800) 468-9716
(612) 450-4064
E-mail: shareowner@aol.com

EXECUTIVE OFFICES

STREET ADDRESS:
3680 Victoria St. N.
Shoreview, Minnesota 55126-2966

MAILING ADDRESS:
P.O. Box 64235
St. Paul, Minnesota 55164-0235
(612) 483-7111

TOLL-FREE SHAREHOLDER INFORMATION LINE

You may dial 1-888-359-6397 (1-888-DLX-NEWS) to listen to the latest financial results, dividend news, and other information about Deluxe or to request copies of our annual report, 10-K, 10-Q, proxy statement, news releases, and financial presentation information.

PLANNED RELEASE DATES

Quarterly results: Thursday, April 23, July 23, October 22, Wednesday, January 27, 1999.

Dividends are announced the second week of February, May, August, and November.

WEB SITE

Visit our home page at www.deluxe.com

FORWARD-LOOKING STATEMENTS

We use "forward-looking statements," as defined in the Private Securities Reform Act of 1995, in this year's annual report. These statements typically address management's present expectations about future performance and typically include wording such as "should result," "expect," "anticipate," "estimate," or similar expressions. Because of the unavoidable risks and uncertainties of predicting the future, Deluxe's actual results may vary from management's current expectations. These variations may be significant and may not always be

positive. Additional information about factors that may affect our current estimates appears in our Form 10-K filed with the Securities and Exchange Commission on March 31, 1998. To obtain a copy, we encourage investors to call our shareholder information line (1-888-359-6397).

Exhibit 21.1

DELUXE CORPORATION SUBSIDIARIES

Chex Systems, Inc. (Minnesota)
Current, Inc. (Delaware)
Current Stationers, Inc. (Colorado)
Deluxe Canada, Inc. (Canada)
Deluxe Check Printers, Inc. (Minnesota)
Deluxe Check Texas, Inc. (Minnesota)
Deluxe Data International Limited (United Kingdom)
Deluxe Electronic Payment Systems, Inc. (Delaware)
Deluxe Financial Services, Inc. (Minnesota)
Deluxe Financial Services Texas, L.P. (Texas)
Deluxe-HCL, Inc. (Delaware) (100% owned by HCL-Deluxe N.V.)
Deluxe Holdings (Netherlands) B.V. (Netherlands)
Deluxe Mexicana S.A. de C.V. (Mexico)
Deluxe Overseas, Inc. (Minnesota)
Deluxe Payment Protection Systems, Inc. (Delaware)
DLX (UK) Limited (United Kingdom)
ESP Employment Screening Partners, Inc., (Minnesota)
HCL-Deluxe N.V. (Netherlands) (50% owned)
HCL-Deluxe Private Limited (India) (100% owned by HCL-Deluxe N.V.)
NRC Holding Corporation (Delaware)
National Credit Services Corporation (Missouri)
National Receivables Corporation (Ohio)
National Revenue Corporation (Ohio)
PaperDirect, Inc. (New Jersey)
PaperIndirect, Inc. (Colorado)
United Creditors Alliance Corporation (Ohio)
United Creditors Alliance International Limited (United Kingdom)

Exhibit 24.1

POWER OF ATTORNEY

Each of the undersigned directors and officers of DELUXE CORPORATION, a Minnesota corporation, hereby constitutes and appoints John A. Blanchard III, Thomas W. VanHimbergen and John H. LeFevre his true and lawful attorneys-in-fact, and each of them, with full power to act without the other, to sign the Company's annual report on Form 10-K for the year ended December 31, 1997, and any and all amendments to such report, and to file the same and any such amendment, with any exhibits, and any other documents in connection with such filing, with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934.

| | Date |
|---|---|
| /s/ John A. Blanchard III<br>John A. Blanchard III, Director and Principal Executive Officer | 1/30/98 |
| /s/ Thomas W. VanHimbergen<br>Thomas W. VanHimbergen, Principal Financial Officer and Principal Accounting Officer | 1/30/98 |
| /s/ Whitney MacMillan<br>Whitney MacMillan, Director | 1/30/98 |
| /s/ James J. Renier<br>James J. Renier, Director | 1/30/98 |
| /s/ Barbara B. Grogan<br>Barbara B. Grogan, Director | 1/30/98 |
| Allen F. Jacobson, Director | |
| /s/ Stephen P. Nachtsheim<br>Stephen P. Nachtsheim, Director | 1/30/98 |
| /s/ Calvin W. Aurand, Jr.<br>Calvin W. Aurand, Jr., Director | 1/30/98 |
| /s/ Donald R. Hollis<br>Stephen P. Nachtsheim, Director | 1/30/98 |
| /s/ Robert C. Salipante<br>Robert C. Salipante, Director | 1/30/98 |
| /s/ Jack Robinson<br>Jack Robinson, Director | 1/30/98 |
| /s/ Hatim A. Tyabji<br>Hatim A. Tyabji, Director | 1/30/98 |

EXHIBIT 99.1

RISK FACTORS AND CAUTIONARY STATEMENTS

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

The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. This Exhibit 99 statement supersedes and replaces the discussion in Item 5 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

Earnings Estimates. From time to time, the authorized representatives of the Company may make predictions or forecasts regarding the Company's future results, including estimated earnings or earnings from operations. Any forecast, including the Company's current statement that it expects to achieve at least 3 to 6 percent annual growth in revenues and 5 to 9 percent annual growth earnings in 1998, regarding the Company's future performance reflects various assumptions. These assumptions are subject to significant uncertainties and, as a matter of course, many of them will prove to be incorrect. Further, the achievement of any forecast depends on numerous factors (including those described in this discussion), many of which are beyond the Company's control. As a result, there can be no assurance that the Company's performance will be consistent with any management forecasts and the variation from such forecasts may be material and adverse. Investors are cautioned not to base their entire analysis of the Company's business and prospects upon isolated predictions, but instead are encouraged to utilize the entire available mix of historical and forward-looking information made available by the Company and other information affecting the Company and its products when evaluating the Company's prospective results of operations.

In addition, authorized representatives of the Company may occasionally comment on the perceived reasonableness of published reports by independent analysts regarding the Company's projected future performance. Such comments should not be interpreted as an endorsement or adoption of any given estimate or range of estimates or the assumptions and methodologies upon which such estimates are based. Generally speaking, the Company does not make public its own internal projections, budgets or estimates. Undue reliance should not be placed on any comments regarding the conformity, or lack thereof, of any independent estimates with the Company's own present expectations regarding its future results of operations.

The methodologies employed by the Company in arriving at its own internal projections and the approaches taken by independent analysts in making their estimates are likely different in many significant respects. Although the Company may presently perceive a given estimate to be reasonable, changes in the Company's business, market conditions or the general economic climate may have varying effects on the results obtained through the use of differing analyses and assumptions. The Company expressly disclaims any continuing responsibility to advise analysts or the public markets of its view regarding the current accuracy of the published estimates of outside analysts. Persons relying on such estimates should pursue their own independent investigation and analysis of their accuracy and the reasonableness of the assumptions on which they are based.

Sales of Businesses. The Company has a continuing intention to divest the remaining businesses comprising its Deluxe Direct segment. The possibility exists, however, that the Company will not identify a suitable, viable buyer or receive an acceptable price for the entities to be divested. A failure to identify an appropriate buyer and/or reach an acceptable purchase price could materially delay the anticipated sales and/or could result in further write-offs by the Company, some of which could be significant. In addition, delays in the execution of these sales could cause the Company to incur continued operating

losses from the businesses sought to be divested or make unanticipated investments in those businesses. Any such delay would also postpone the receipt and use by the Company of the proceeds expected to be generated thereby.

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

Effect of Financial Institution Consolidation. There is an ongoing trend towards increasing consolidation within the banking industry that has resulted in increased competition and pressure on check prices. This concentration greatly increases the importance to the Company of retaining its major customers and attracting significant additional customers in an increasingly competitive environment. Although the Company devotes considerable efforts towards the development of a competitively priced, high quality suite of products for the financial services and retail industries, there can be no assurance that significant customers will not be lost nor that any such loss can be counterbalanced through the addition of new customers or by expanded sales to the Company's remaining customers.

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

Timing and Amount of Anticipated Cost Reductions. With regard to the results of the Company's ongoing cost reduction efforts, there can be no assurance that the anticipated cost savings will be fully realized or will be achieved within the time periods expected. The implementation of the printing plant closures is, in large part, dependent upon the successful development of the software needed to streamline the check ordering process and redistribute the resultant order flow among the Company's remaining printing plants. Because of the complexities inherent in the development of software products as sophisticated as those needed to accomplish this task, there can be no assurance that unanticipated development or conversion delays will not occur or that the delays recently experienced by the Company in connection with such development and the conversion will not continue beyond the Company's current expectations. Any such occurrence (or the continuation of any such delay beyond current expectations) could adversely affect the planned consolidation of the Company's printing facilities and delay the realization or reduce the amount of the anticipated expense reductions.

In addition, the achievement of the expected level of cost savings is dependent upon the successful execution of a variety of other cost reduction strategies. These additional efforts include the consolidation of the Company's purchasing process, the disposition of unprofitable or low-margin businesses and other efforts. The optimum means of realizing many of these strategies is, in some cases, still being evaluated by the Company. Unexpected delays, complicating factors and other hindrances are common in these types of endeavors and can arise from a variety of sources, some of which are likely to have been unanticipated. A failure to timely achieve one or more of the Company's primary cost reduction objectives could materially reduce the benefit to the Company of its cost savings programs and strategies or substantially delay the full realization of their expected benefits.

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

Competition. Although the Company believes it is the leading check printer in the United States, it faces considerable competition from other smaller companies in both its traditional marketing channel to financial institutions and from direct mail marketers of checks. From time to time, one or more of these competitors reduce the prices of their products in an attempt to gain market share. The corresponding pricing pressure placed on the Company has resulted in reduced profit margins in the past and there can be no assurance that similar pressures will not be exerted in the future.

Check printing is, and is expected to continue to be, an essential part of the

Company's business and the principal source of its operating income for at least the next several years. A wide variety of alternative payment delivery systems, including credit cards, debit cards, smart cards, ATM machines, direct deposit and bill paying services, home banking applications and Internet-based retail services, are in various stages of maturity or development and additional systems will likely be introduced.

Although the Company expects that there will continue to be a substantial market for checks for the foreseeable future, the rate and the extent to which these alternative systems will achieve consumer acceptance and replace checks cannot be predicted. A surge in the popularity of any of these alternative payment methods could have a material, adverse effect on the demand for the Company's primary products and its account verification, payment protection and collection services. The creation of these alternative payment methodologies has also resulted in an increased interest in transaction processing as a source of revenue, which has led to increased competition for the Company's transaction processing businesses.

Seasonality. A significant portion of the revenues and earnings of the Company's Deluxe Direct segment is dependent upon its results of operations during the fourth quarter. As a result, the results reported for this division during the first three quarters of any given year are not necessarily indicative of those which may be expected for the entire year.

HCL Joint Venture. There can be no assurance that the software and transaction processing products and software development services proposed to be offered by the Company's joint venture with HCL Corporation of New Delhi, India will achieve market acceptance in either the United States or India. In addition, the Company has no operational experience in India and only limited international exposure to date. Operations in foreign countries are subject to numerous potential obstacles including, among other things, cultural differences, political unrest, export controls, governmental interference or regulation (both domestic and foreign), currency fluctuations, personnel issues and varying competitive conditions. There can be no assurance that one or more of these factors, or additional causes or influences, many of which are likely to have been unanticipated and beyond the ability of the Company to control, will not operate to inhibit the success of the venture. As a result, there can be no assurance that the HCL joint venture will generate significant revenues or profits or provide an adequate return on any investment by the Company.

Debit Bureau. The Company has recently announced an alliance with several entities that is intended to offer decision support tools for retailers and financial institutions that offer or accept direct debit-based products, such as checking accounts, ATM cards and debit cards. To date, this effort has primarily been directed towards the creation of the supporting data warehouse and research regarding the utility and value of the data available to the Company for use in this area. There can be no assurance that this effort will result in the introduction of a significant number of new products or the generation of incremental revenues in material amounts.

Year 2000. In 1996, the Company initiated a companywide program to prepare its computer systems and applications for the year 2000. During 1997, the Company identified the systems affected, determined a resolution strategy for each affected system, and began executing these resolution strategies. The Company expects either to modify or upgrade existing systems or replace some systems through other development projects. The Company expects to incur expenses of $17 million over the next two years, consisting of both internal staff costs and consulting expenses, as it continues to implement its resolution strategy.

Because of the nature of the Company's business, the year 2000 issue would, if it is not successfully resolved, pose a significant business risk for the Company. The Company presently believes that with the planned modifications to existing systems and the replacement of other systems, the year 2000 compliance issue will be resolved in a timely manner and will not pose significant operational problems for the Company, but the Company's ultimate success in this endeavor cannot be assured. Additionally, the Company has communicated with its suppliers and customers to determine their year 2000 readiness and the extent to which the Company is vulnerable to any third party year 2000 issues. However, there can be no assurances that the systems of other companies on which the Company's systems rely will be converted in a timely manner or in a manner that is compatible with the Company's systems. A failure by such a company to convert their systems in a timely manner or a conversion that renders such systems incompatible with those of the Company could have a material adverse effect on the Company.

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| <TOTAL-ASSETS> | 1,148,364 |
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| <TOTAL-REVENUES> | 1,919,366 |
| <CGS> | 883,187 |
| <TOTAL-COSTS> | 1,763,646 |
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| <CASH> | 142,571 | 13,668 |
| <SECURITIES> | 0 | 6,270 |
| <RECEIVABLES> | 145,475 | 169,310 |
| <ALLOWANCES> | 0 | 0 |
| <INVENTORY> | 56,038 | 75,902 |
| <CURRENT-ASSETS> | 449,524 | 381,098 |
| <PP&E> | 904,918 | 940,823 |
| <DEPRECIATION> | 458,060 | 446,665 |
| <TOTAL-ASSETS> | 1,176,440 | 1,295,095 |
| <CURRENT-LIABILITIES> | 341,377 | 368,808 |
| <BONDS> | 108,622 | 110,997 |
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| <COMMON> | 82,056 | 82,364 |
| <OTHER-SE> | 630,860 | 698,010 |
| <TOTAL-LIABILITY-AND-EQUITY> | 1,176,440 | 1,295,095 |
| <SALES> | 1,979,627 | 1,936,719 |
| <TOTAL-REVENUES> | 1,979,627 | 1,936,719 |
| <CGS> | 983,444 | 935,587 |
| <TOTAL-COSTS> | 1,892,518 | 1,752,935 |
| <OTHER-EXPENSES> | (42,305) | 1,404 |
| <LOSS-PROVISION> | 0 | 0 |
| <INTEREST-EXPENSE> | 10,649 | 13,061 |
| <INCOME-PRETAX> | 118,765 | 169,319 |
| <INCOME-TAX> | 53,302 | 74,885 |
| <INCOME-CONTINUING> | 65,463 | 94,434 |
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| <EXTRAORDINARY> | 0 | 0 |
| <CHANGES> | 0 | 0 |
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| <PERIOD-START> | JAN-01-1996 | JAN-01-1996 | JAN-01-1996 |
| <PERIOD-END> | MAR-31-1996 | JUN-30-1996 | SEP-30-1996 |
| <CASH> | 22,857 | 21,058 | 37,905 |
| <SECURITIES> | 0 | 0 | 0 |
| <RECEIVABLES> | 175,519 | 178,922 | 180,106 |
| <ALLOWANCES> | 0 | 0 | 0 |
| <INVENTORY> | 65,719 | 64,148 | 62,723 |
| <CURRENT-ASSETS> | 372,816 | 369,674 | 393,395 |
| <PP&E> | 933,802 | 941,333 | 919,786 |
| <DEPRECIATION> | 457,692 | 473,061 | 461,177 |
| <TOTAL-ASSETS> | 1,279,943 | 1,279,755 | 1,282,438 |
| <CURRENT-LIABILITIES> | 365,164 | 356,867 | 357,692 |
| <BONDS> | 110,514 | 111,355 | 110,448 |
| <PREFERRED-MANDATORY> | 0 | 0 | 0 |
| <PREFERRED> | 0 | 0 | 0 |
| <COMMON> | 82,363 | 82,359 | 82,329 |
| <OTHER-SE> | 685,476 | 693,237 | 695,078 |
| <TOTAL-LIABILITY-AND-EQUITY> | 1,279,943 | 1,279,755 | 1,282,438 |
| <SALES> | 508,289 | 995,023 | 1,477,222 |
| <TOTAL-REVENUES> | 508,289 | 995,023 | 1,477,222 |
| <CGS> | 270,885 | 505,205 | 738,034 |
| <TOTAL-COSTS> | 474,343 | 895,104 | 1,321,314 |
| <OTHER-EXPENSES> | (1,113) | (2,907) | (6,939) |
| <LOSS-PROVISION> | 0 | 0 | 0 |
| <INTEREST-EXPENSE> | 2,788 | 5,305 | 7,300 |
| <INCOME-PRETAX> | 32,271 | 97,521 | 155,547 |
| <INCOME-TAX> | 13,350 | 40,544 | 65,046 |
| <INCOME-CONTINUING> | 18,921 | 56,977 | 90,501 |
| <DISCONTINUED> | 0 | 0 | 0 |
| <EXTRAORDINARY> | 0 | 0 | 0 |
| <CHANGES> | 0 | 0 | 0 |
| <NET-INCOME> | 18,921 | 56,977 | 90,501 |
| <EPS-PRIMARY> | .23 | .69 | 1.10 |
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| <FISCAL-YEAR-END> | DEC-31-1997 | DEC-31-1997 | DEC-31-1997 |
| <PERIOD-START> | JAN-01-1997 | JAN-01-1997 | JAN-01-1997 |
| <PERIOD-END> | MAR-31-1997 | JUN-30-1997 | SEP-30-1997 |
| <CASH> | 121,348 | 122,198 | 109,227 |
| <SECURITIES> | 7,967 | 12,975 | 11,541 |
| <RECEIVABLES> | 156,586 | 157,227 | 159,568 |
| <ALLOWANCES> | 0 | 0 | 0 |
| <INVENTORY> | 49,833 | 52,983 | 58,292 |
| <CURRENT-ASSETS> | 438,422 | 448,840 | 475,196 |
| <PP&E> | 899,191 | 893,992 | 893,172 |
| <DEPRECIATION> | 459,405 | 460,634 | 478,299 |
| <TOTAL-ASSETS> | 1,161,162 | 1,167,124 | 1,104,840 |
| <CURRENT-LIABILITIES> | 312,166 | 311,527 | 342,289 |
| <BONDS> | 109,018 | 107,191 | 106,918 |
| <PREFERRED-MANDATORY> | 0 | 0 | 0 |
| <PREFERRED> | 0 | 0 | 0 |
| <COMMON> | 82,163 | 82,198 | 81,171 |
| <OTHER-SE> | 644,063 | 652,513 | 520,902 |
| <TOTAL-LIABILITY-AND-EQUITY> | 1,161,162 | 1,167,124 | 1,104,840 |
| <SALES> | 490,104 | 953,854 | 1,420,762 |
| <TOTAL-REVENUES> | 490,104 | 953,854 | 1,420,762 |
| <CGS> | 227,195 | 442,049 | 664,565 |
| <TOTAL-COSTS> | 423,962 | 825,644 | 1,350,391 |
| <OTHER-EXPENSES> | (5,632) | (9,106) | 35,294 |
| <LOSS-PROVISION> | 0 | 0 | 0 |
| <INTEREST-EXPENSE> | 2,385 | 4,872 | 7,023 |
| <INCOME-PRETAX> | 69,389 | 132,444 | 28,054 |
| <INCOME-TAX> | 27,964 | 53,562 | 16,687 |
| <INCOME-CONTINUING> | 41,425 | 78,882 | 11,367 |
| <DISCONTINUED> | 0 | 0 | 0 |
| <EXTRAORDINARY> | 0 | 0 | 0 |
| <CHANGES> | 0 | 0 | 0 |
| <NET-INCOME> | 41,425 | 78,882 | 11,367 |
| <EPS-PRIMARY> | .50 | .96 | .14 |
| <EPS-DILUTED> | .50 | .96 | .14 |

</TABLE>