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

FORM 10-Q

(Mark one)

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

For quarterly period ending September 30, 1998

or

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

For the transition period from____________________to____________________

Commission file number: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

MINNESOTA	41-021-6800
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
3680 Victoria St. N., St. Paul, Minnesota	55126-2966
(Address of principal executive offices)	(Zip Code)

(612) 483-7111

(Registrant's telephone number, including area code)

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

Yes _X_ No ___

The number of shares outstanding of registrant's common stock, par value $1.00 per share, at November 2, 1998 was 80,443,689.

ITEM 1. FINANCIAL STATEMENTS

PART I. FINANCIAL INFORMATION
DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

<TABLE>
<CAPTION>

	September 30, 1998 (Unaudited)	December 31, 1997
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 150,218	$ 171,438
Marketable securities	17,451	8,021
Trade accounts receivable	157,931	151,201
Inventories:		
Raw material	19,851	22,950
Semi-finished goods	8,538	9,132
Finished goods	22,052	23,768
Supplies	9,007	11,146
Deferred advertising	17,105	15,763
Deferred income taxes	50,206	50,345

Prepaid expenses and other current assets	46,573	48,849
Total current assets	498,932	512,613
LONG-TERM INVESTMENTS	46,225	52,910
PROPERTY, PLANT, AND EQUIPMENT		
Land	37,166	38,832
Buildings and improvements	268,047	288,270
Machinery and equipment	559,708	562,637
Construction in progress	5,753	346
Total	870,674	890,085
Less accumulated depreciation	469,985	475,077
Property, plant and equipment - net	400,689	415,008
INTANGIBLES		
Cost in excess of net assets acquired - net	52,323	54,435
Internal use software - net	110,879	74,584
Other intangible assets - net	35,496	38,814
Total intangibles	198,698	167,833
TOTAL ASSETS	$ 1,144,544	$ 1,148,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITES		
Accounts payable	$ 70,291	$ 73,516
Accrued liabilities:		
Wages, including vacation pay	71,512	62,513
Employee profit sharing and pension	24,089	40,517
Accrued income taxes	14,288	31,960
Accrued rebates	35,631	36,708
Other	197,637	129,263
Long term debt due within one year	5,027	7,078
Total current liabilities	418,475	381,555
LONG-TERM DEBT	109,774	109,986
DEFERRED INCOME TAXES	6,009	6,040
OTHER LONG-TERM LIABILITIES	35,176	40,535
SHAREHOLDERS' EQUITY		
Common shares - $1 par value (authorized 500,000,000 shares; issued: 1998 - 80,263,821 shares; 1997 - 81,325,925 shares)	80,264	81,326
Additional paid-in capital		4,758
Retained earnings	495,076	525,302
Unearned compensation	(290)	(649)
Net unrealized gain - marketable securities	253	
Cumulative translation adjustment	(193)	(489)
Total shareholders' equity	575,110	610,248
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY	$ 1,144,544	$ 1,148,364

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	QUARTERS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
NET SALES	$ 469,770	$ 466,908	$ 1,433,531	$ 1,420,762
OPERATING EXPENSES				
Cost of sales	254,638	222,516	693,212	664,565
Selling, general and administrative	210,898	219,338	596,542	602,933
Goodwill impairment charge		82,893		82,893
Total	465,536	524,747	1,289,754	1,350,391
INCOME (LOSS) FROM OPERATIONS	4,234	(57,839)	143,777	70,371

OTHER INCOME (EXPENSE)				
Other income	5,433	(44,399)	13,626	(35,294)
Interest expense	(2,135)	(2,152)	(6,293)	(7,023)
INCOME (LOSS) BEFORE INCOME TAXES	7,532	(104,390)	151,110	28,054
PROVISION (BENEFIT) FOR INCOME TAXES	4,704	(36,875)	62,456	16,687
NET INCOME (LOSS)	$ 2,828	$ (67,515)	$ 88,654	$ 11,367
NET INCOME (LOSS) PER COMMON SHARE - Basic and Diluted	$ 0.04	$ (0.82)	$ 1.10	$ 0.14
CASH DIVIDENDS PER COMMON SHARE	$ 0.37	$ 0.37	$ 1.11	$ 1.11

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

<S>	NINE MONTHS ENDED SEPT. 30, 1998 <C>	1997 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 88,654	$ 11,367
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	43,263	55,895
Goodwill impairment charge		82,893
Amortization of intangibles	18,385	22,010
Stock purchase discount	4,514	5,049
Net gain on sales of businesses	(3,383)	(535)
Changes in assets and liabilities, net of effects from discontinued operations and sales of businesses:		
Trade accounts receivable	(9,958)	(11,907)
Inventories	240	(1,363)
Accounts payable	(2,901)	6,298
Other assets and liabilities	39,245	28,694
Net cash provided by continuing operations	178,059	198,401
Net cash used by discontinued operations		(174)
Net cash provided by operating activities	178,059	198,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable securities with maturities of more than 3 months	15,890	
Purchases of marketable securities with maturities of more than 3 months	(25,066)	(8,000)
Net change in marketable securities with maturities of three months or less		(3,500)
Purchases of capital assets	(88,496)	(68,578)
Acquisitions, net of cash acquired		(10,600)
Net proceeds from sales of businesses and discontinued operations	12,319	2,198
Other	20,849	6,157
Net cash used in investing activities	(64,504)	(82,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on short-term debt		(16,783)
Proceeds from long-term debt	292	
Payments on long-term debt	(5,502)	(5,380)
Payments to retire common stock	(60,260)	(53,589)
Proceeds from issuing stock under employee plans	20,634	17,757
Cash dividends paid to shareholders	(89,939)	(91,253)
Net cash used in financing activities	(134,775)	(149,248)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,220)	(33,344)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	171,438	142,571
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 150,218	$ 109,227

</TABLE>

See Notes to Unaudited Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated balance sheet as of September 30, 1998 and the consolidated statements of income and cash flows for the quarters and the nine month periods ended September 30, 1998 and 1997 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements are included. Other than those discussed in the notes below, such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q and do not contain certain information included in the Company's consolidated annual financial statements and notes.

2. As of September 30, 1998, the Company had uncommitted bank lines of credit of $170 million available at variable interest rates. As of that date, there were no amounts drawn on those lines. The Company also had a $150 million committed line of credit available for borrowing and as support for commercial paper. As of September 30, 1998, the Company had no commercial paper outstanding and no indebtedness outstanding under its committed line of credit. Additionally, the Company had 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 September 30, 1998, no such notes were issued or outstanding.

3. The following table reflects the calculation of basic and diluted earnings per share (unaudited dollars and shares outstanding in thousands, except per share amounts).

<TABLE>
<CAPTION>

	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Net income per share-basic:				
Net income	$ 2,828	$ (67,515)	$ 88,654	$ 11,367
Weighted average shares outstanding	80,498	81,901	80,721	82,031
Net income per share-basic	$ .04	$ (.82)	$ 1.10	$ .14
Net income per share-diluted:				
Net income	$ 2,828	$ (67,515)	$ 88,654	$ 11,367
Weighted average shares outstanding	80,498	81,901	80,721	82,031
Dilutive impact of options	154		176	116
Shares contingently issuable	16		10	13
Weighted average shares and potential dilutive shares outstanding	80,668	81,901	80,907	82,160
Net income per share-diluted	$ .04	$ (.82)	$ 1.10	$ .14

</TABLE>

4. Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires disclosure of comprehensive income and its components in the Company's financial statements. The Company's total comprehensive income for the quarter and nine months ended September 30, 1998 was $3.0 million and $89.1 million, respectively. The Company had a comprehensive loss of $67.9 million for the quarter ended September 30, 1997, and had comprehensive income of $10.7 million for the nine months ended September 30, 1997. The Company's comprehensive income consists of net income, unrealized holding gains and losses on securities and foreign currency translation adjustments.

5. During 1998, the Company will adopt Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which revises employers' disclosures about pensions and other postretirement benefit plans. The Company does not anticipate that the

effect of this pronouncement will have a material impact on reported operating results.

6. During the third quarter of 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires the disclosure of financial and descriptive information about the reportable operating segments of the Company. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position. The Company has organized its business units into six reportable operating segments based on the nature of the products and services offered by each: Paper Payment Systems; Payment Protection Systems; Electronic Payment Systems; Direct Response; Government Services; and Deluxe Direct. Paper

Payment Systems provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. Payment Protection Systems provides payment protection, collection and risk management services to financial institutions and retailers. Electronic Payment Systems provides electronic funds transfer and other software services to the financial and retail industries. The remaining businesses within Direct Response, which are currently held for sale, provide direct marketing, customer database management and related services to the financial industry and other businesses. Government Services provides electronic benefits transfer services to state governments. Deluxe Direct, which is currently held for sale, primarily sells greeting cards, stationery and specialty paper products through direct mail. All segments, with the exception of the Electronic Payment Systems segment, operate primarily in the United States. The Electronic Payments Systems segment operates both domestically and internationally. No single customer of the Company accounted for more than 10% of net sales in 1998 or 1997.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies as presented in the Company's notes to its consolidated annual financial statements. In evaluating segment performance, management focuses on income from operations. This measurement excludes special charges (e.g., restructuring charges, asset impairment charges, charges to legal reserves, etc.), interest expense, investment income, income tax expense and other non-operating items, such as gains or losses from asset disposals. Corporate expenses are allocated to the segments as a fixed percentage of segment revenues. This allocation includes expenses for various support functions such as human resources, information services and finance. The corresponding corporate asset balances are not allocated to the segments. Most intersegment sales are based on current market pricing. Segment information for the nine months ended September 30, 1998 and 1997 is as follows (in thousands):

<TABLE>
<CAPTION>

NINE MONTHS ENDED SEPTEMBER 30, 1998	Paper Payment Systems	Payment Protection Systems	Electronic Payment Systems	Direct Response	Government Services	Deluxe Direct	Total Segments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales from external customers	$ 959,199	$ 161,451	$ 95,127	$ 35,065	$ 30,939	$ 151,750	$1,433,531
Intersegment sales	2,053	1,121	4,942	557		3,903	12,576
Operating income excluding special charges	231,957	23,110	(1,418)	(15,353)	(7,475)	(1,672)	229,149
Special charges	11,099	623	1,381	2,513	36,630		52,246
Operating income including special charges	220,858	22,487	(2,799)	(17,866)	(44,105)	(1,672)	176,903
Segment assets	407,810	104,992	119,467	39,172	47,392	114,734	833,567
Depreciation and amortization expense	27,451	6,996	9,795	1,238	4,225		49,705
Capital purchases	37,335	9,361	11,284	829	299	1,130	60,238

<CAPTION>

NINE MONTHS ENDED SEPTEMBER 30, 1997	Paper Payment Systems	Payment Protection Systems	Electronic Payment Systems	Direct Response	Government Services	Deluxe Direct	Total Segments
Net sales from external customers	$ 967,156	$ 143,171	$ 85,701	$ 36,033	$ 19,019	$ 169,682	$1,420,762
Intersegment sales	3,856	1,530	4,135	2,182		2,349	14,052
Operating income excluding special charges	213,354	27,196	(1,235)	(15,379)	(8,305)	(8,995)	206,636
Goodwill impairment charge			9,361	3,000		70,532	82,893
Other special charges	17,696		3,270	2,000		13,480	36,446
Operating income including special charges	195,658	27,196	(13,866)	(20,379)	(8,305)	(93,007)	87,297
Segment assets	370,615	80,744	101,636	41,298	30,338	138,739	763,370
Depreciation and amortization expense	25,617	6,594	14,551	6,867	3,043	12,353	69,025
Capital purchases	28,913	5,897	6,674	2,296	470	730	44,980

</TABLE>

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

OPERATING INCOME INCLUDING SPECIAL CHARGES
<TABLE>
<CAPTION>

<S>	Nine Months Ended September 30, 1998 <C>	Nine Months Ended September 30, 1997 <C>
Total segment operating income including special charges	$ 176,903	$ 87,297
Elimination of intersegment profits	(84)	48
Unallocated corporate expenses	(33,042)	(16,974)
Total consolidated operating income including special charges	$ 143,777	$ 70,371

</TABLE>

1998 unallocated corporate expenses consist of corporate special charges (see note 7), as well as charges for certain corporate liabilities which are not allocated to the segments. 1997 unallocated corporate expenses consist primarily of corporate special charges (see note 7).

TOTAL ASSETS
<TABLE>
<CAPTION>

<S>	September 30, 1998 <C>	September 30, 1997 <C>
Total segment assets	$ 833,567	$ 763,370
Unallocated corporate assets	310,977	341,470
Total consolidated assets	$1,144,544	$1,104,840

</TABLE>

Unallocated corporate assets consist primarily of cash, marketable securities, long-term investments, deferred tax assets and long-term assets employed by the corporate support groups.

DEPRECIATION AND AMORTIZATION EXPENSE
<TABLE>
<CAPTION>

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Total segment depreciation and amortization expense	$ 49,705	$ 69,025
Depreciation and amortization of unallocated corporate assets	11,943	8,880
Total consolidated depreciation and amortization expense	$ 61,648	$ 77,905

Segment depreciation and amortization expense includes only the expense attributable to segment assets.

CAPITAL PURCHASES

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Total segment capital purchases	$ 60,238	$ 44,980
Corporate capital purchases	28,258	23,598
Total consolidated capital purchases	$ 88,496	$ 68,578

Corporate capital purchases consist primarily of a new financial information system (SAP) and various other information system enhancements.

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

	NET SALES FROM EXTERNAL CUSTOMERS		LONG-LIVED ASSETS	
	Nine Months Ended			
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
United States	$1,411,765	$1,391,920	$641,780	$623,546
Foreign countries	21,766	28,842	3,832	6,098
Total consolidated	$1,433,531	$1,420,762	$645,612	$629,644

7. During the third quarter of 1998, the Company recorded pretax restructuring charges of $39.5 million. The restructuring charges included costs associated with the Company's initiative to reduce its selling, general and administrative expenses (SG&A), the outsourcing of production of the Direct Response segment's direct mail products, as well as the closing of additional check printing plants. The Company anticipates eliminating approximately 800 SG&A positions within sales and

marketing, finance and accounting, human resources and information services. Approximately 60 positions will be eliminated due to the outsourcing of direct mail products production. The Company also plans to close additional check printing plants over the next 18 months, affecting approximately 800 to 900 employees. The restructuring charges consisted of employee severance costs of $31.2 million and $8.3 million for expected losses on the disposition of assets. Expenses of $10.9 million were included in cost of sales; $21.1 million was included in selling, general, and administrative and $7.5 million was included in other expense in the consolidated statements of income for the quarter and nine months ended September 30, 1998.

During the third quarter of 1997, the Company recorded pretax restructuring charges of $24.5 million. The restructuring charges included additional costs for the closing of 21 check printing plants, as announced in 1996, as well as costs associated with the continued consolidation of the Company's core businesses. The additional charge for plant closing costs represented 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 and $2.9 million was included in other expense in the consolidated statements of income for the quarter and nine months ended September 30, 1997.

The Company's consolidated balance sheets reflect restructuring accruals of $50.4 million and $39.5 million as of September 30, 1998 and December 31, 1997, respectively, for employee severance costs and $10.9 million and $3.7 million as of September 30, 1998 and December 31, 1997, respectively, for estimated losses on asset dispositions. The majority of the severance costs are expected to be paid out by early 2000 with cash generated from the Company's operations.

8. In October 1998 the Company announced that it had reached agreements in principle to sell PaperDirect, Inc. ("PaperDirect"), the Social Expressions component ("Social Expressions") of Current, Inc. and the remaining businesses within the Company's Direct Response segment. The sales are currently expected to close in the fourth quarter of 1998. These businesses, along with the international component of the Electronic Payment Systems segment, are accounted for in accordance with Statement of Financial Accounting Standards No. 121, " Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." These businesses contributed revenue of $52.6 million and $55.2 million in the third quarters of 1998 and 1997, respectively, and revenue of $177.7 million and $171.9 million during the first nine months of 1998 and 1997, respectively. They contributed operating losses of $1.6 million and $2.1 million in the third quarters of 1998 and 1997, respectively, and losses of $3.5 million and $6.2 million during the first nine months of 1998 and 1997, respectively. The direct mail check printing business of Current, Inc. will remain with the Company and its results of operations are included in the Paper Payment Systems operating segment.

During the third quarter of 1997, the Company recorded a pretax impairment charge of $99 million to write-down the carrying value of PaperDirect, Social Expressions and the international operations of the Electronic Payment Systems segment to their estimated fair values less costs to sell. This charge is reflected in the goodwill impairment charge ($82.9 million) and in selling, general and administrative expense ($16.1 million) in the consolidated statements of income for the quarter and nine months ended September 30, 1997.

9. In August 1998, the Company completed the sale of its Card Services business and the Company is currently in the process of outsourcing the production of its direct mail products. These initiatives will not have a material impact on the Company's reported operating results. The results of operation of these businesses were included in the Direct Response operating segment.

10. During the third quarter of 1998, the Company recorded a charge of $36.4 million for losses on existing contracts of its Government Services segment. These losses arose due to revenue shortfalls from initial projections and the relatively fixed costs of this business. The contracts have varying terms through 2006.

11. During the third quarter of 1997, the Company recorded a $40 million pretax charge to reserve for an adverse judgement against one of the Company's subsidiaries. The charge also reserves for potential legal and other related costs. The Company has appealed from this judgement and has thus classified this obligation as other long-term liabilities in the consolidated balance sheet.

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

Company Profile

During the third quarter of 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires the disclosure of financial and descriptive information about the reportable operating segments of the Company. The Company has organized its business units into six operating segments based on the nature of the products and services offered by each: Paper Payment Systems;

Payment Protection Systems; Electronic Payment Systems; Direct Response; Government Services; and Deluxe Direct. Paper Payment Systems provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. Payment Protection Systems provides payment protection, collection and risk management services to financial institutions and retailers. Electronic Payment Systems provides electronic funds transfer and other software services to the financial and retail industries. The remaining businesses within Direct Response, which are currently held for sale, provide direct marketing, customer database management and related services to the financial industry and other businesses. Government Services provides electronic benefits transfer services to state governments. Deluxe Direct, which is currently held for sale, primarily sells greeting cards, stationery and specialty paper products through direct mail. All segments, with the exception of the Electronic Payment Systems segment, operate primarily in the United States. The Electronic Payments Systems segment operates both domestically and internationally.

Results of Operations - Quarter and Nine Months Ended September 30, 1998

Compared to the Quarter and Nine Months Ended September 30, 1997

Net sales were $470 million for the third quarter of 1998, up .6% from the third quarter of 1997 when sales were $467 million. Net sales were $1,434 million for the first nine months of 1998, up .9% from the comparable period in 1997 when sales for the first nine months were $1,421 million. Paper Payment Systems revenue was flat in the third quarter of 1998 versus the third quarter of 1997. Revenues for the first nine months of 1998 were down 1.0% from the first nine months of 1997 due to lower volume for the financial institution check printing business. This decrease was partially offset by increased volume for direct mail checks and small business products. Payment Protection Systems revenue was up 11.4% over the third quarter of 1997 and 12.4% over the first nine months of 1997 due to increased volume for all product lines. Electronic Payment Systems revenue was up 7.0% for the quarter and 11.4% for the first nine months of 1998 versus the same periods in 1997. The increase was due to higher volume arising from an increased customer base and increased transaction volume. Direct Response revenue was down 8.1% from the third quarter of 1997 and 6.8% from the first nine months of 1997 due to lower volume and the sale of the Card Services business in the third quarter of 1998. Government Services revenue was up 53.7% over the third quarter of 1997 and 62.7% over the first nine months of 1997 due to increased volume from existing contracts, as well as the addition of new contracts in 1998. Deluxe Direct revenue was down 17.7% for the quarter and 9.5% for the first nine months of 1998 due primarily to divestitures.

Cost of sales increased $32.1 million, or 14.4%, from the third quarter of 1997, and increased $28.6 million, or 4.3%, from the first nine months of 1997. Included in the 1998 third quarter results was a charge of $47.1 million for check printing plant closings and accrued losses on contracts of the Government Services segment. Included in the 1997 third quarter results was a charge of $7.7 million related to the continued consolidation of check printing plants. With these charges removed, cost of sales decreased $7.2 million, or 3.4%, from the third quarter of 1997, and decreased $10.7 million, or 1.6%, from the first nine months of 1997. Paper Payment Systems cost of sales decreased 10.2% for the quarter and 8.6% for the first nine months of 1998 versus 1997, excluding the impact of restructuring charges in both years. This decrease is due primarily to savings realized from plant consolidation and productivity improvements within the financial institution check printing business. Payment Protection Systems cost of sales increased 20.3% over the third quarter of 1997 and 17.5% over the first nine months of 1997 due to the increased sales volume and increased depreciation, rent and salaries expense due to the growth of the segment. Electronic Payment Systems cost of sales increased 10.7% for the quarter and 10.0% for the first nine months of 1998 versus 1997 due to the increased sales volume. Additionally, information systems cost increased due to the year 2000 issues, the need to pay higher wages to retain technical personnel, and increased equipment costs related to a new data center. Direct Response cost of sales was down 20.2% for the quarter and 5.7% for the first nine months of 1998 versus 1997, excluding the impact of restructuring charges in 1998. These decreases are due to the lower sales volume, the sale of the Card Services business and the outsourcing of production of direct mail products. Government Services cost of sales increased 40.6% over the third quarter of 1997 and 45.7% over the first nine months of 1997, excluding special charges in 1998. The increase was due to the increased sales volume. Because many of the costs of this business are fixed, cost of sales increased at a lower rate than did revenue. Deluxe Direct cost of sales decreased 12.7% for the quarter and 6.0% for the first nine months of 1998 versus 1997 due primarily to divestitures, which decrease was partially offset by increased information systems costs in 1998.

Selling, general and administrative (SG&A) expenses decreased $8.4 million, or 3.8%, from the third quarter of 1997, and decreased $6.4 million, or 1.1%, from the first nine months of 1997. Included in 1998 third quarter results was a $22.0 million charge primarily for severance related to the Company's initiative to reduce SG&A expenses. Included in 1997 third quarter results was a charge totaling $39.6 million related to check printing plant consolidation, job reductions and the write-down of impaired assets. With these charges removed, SG&A expenses increased $9.1 million, or 5.1%, from the third quarter of 1997, and increased $11.1 million, or 2.0%, from the first nine months of 1997. Paper Payment Systems SG&A expenses increased 9.7% from the third quarter of 1997 and 1.5% from the first nine months of 1997 due to increased amortization expense for the segment's new customer service system. Payment Protection Systems SG&A expense increased 16.4% for the quarter and 20.8% for the first nine months of 1998 versus 1997, excluding special charges in 1998. These increases were due primarily to increased information systems and marketing costs reflecting the Company's investment in this segment.

Electronic Payment Systems SG&A expenses increased 14.3% over the third quarter of 1997 and 15.1% over the first nine months of 1997, excluding special charges in both years, due primarily to increased sales and marketing costs. Direct Response SG&A expenses decreased 11.0% for the quarter and 4.1% for the first nine months of 1998 versus 1997, with special charges excluded in both years, due to lower amortization expense due to asset write-offs in the third quarter of 1997. Government Services SG&A expenses increased 17.8% for the quarter and 14.6% for the first nine months of 1998 versus 1997 due to costs associated with additional contracts in 1998. Deluxe Direct SG&A expenses decreased 23.5% from the third quarter of 1997 and 18.8% from the first nine months of 1997, excluding special charges in 1997, due to divestitures and reduced marketing expenses.

Other income increased $49.8 million from the third quarter of 1997 and $48.9 million from the first nine months of 1997. 1997 third quarter results include charges of $49.8 million relating to legal proceedings and asset impairments. During 1997, a judgement was entered against one of the Company's subsidiaries in conjunction 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 obtain a reversal of this judgment on appeal.

The Company's effective tax rate decreased to 41.3% for the first nine months of 1998 versus 59.5% for the first nine months of 1997. The decrease is due to higher pretax income in 1998 combined with a higher base of non-deductible expenses in 1997 consisting primarily of the goodwill impairment charge. With the effect of the special charges removed in both years, the Company's effective tax rate was 40.2% for the first nine months of 1998 and 40.6% for the first nine months of 1997.

Net income was $2.8 million for the third quarter of 1998 compared to a net loss of $67.5 million for the third quarter of 1997. Net income for the first nine months of 1998 was $88.7 million compared to $11.4 million for the first nine months of 1997. 1998 third quarter results include after-tax charges of $43.7 million for severance related to the Company's initiative to reduce its SG&A expenses, the outsourcing of production of its direct mail products, the closing of additional check printing plants and accrued losses on contracts of its Government Services segment. The 1997 third quarter results include after-tax charges of $112.3 million for asset impairments related to its businesses held for sale, an unfavorable legal decision and severance reserves related to continued consolidation of check printing plants and consolidation of the Company's core businesses. With these charges removed, net income was $46.5 million for the third quarter of 1998, or 9.9% of sales, compared to $44.8 million, or 9.6% of sales, for the third quarter of 1997. Net income, excluding special charges, was $132.4 million, or 9.2% of sales, for the first nine months of 1998, compared to $123.7 million, or 8.7% of sales, for the first nine months of 1997. The increase for both periods is attributable to the changes discussed above.

Financial Condition - Liquidity

Cash provided by operations was $178.1 million for the first nine months of 1998 compared with $198.2 million for the first nine months of 1997. Cash from operations represents the Company's primary source of working capital for financing capital expenditures and paying cash dividends. The Company's working capital on September 30, 1998 was $80.5 million compared to $131.1 million on December 31, 1997. The Company's current ratio was 1.2 to 1 on September 30, 1998, and 1.3 to 1 on December 31, 1997.

Financial Condition - Capital Resources

Purchases of capital assets totaled $88.5 million for the first nine months of 1998 compared to $68.6 million during the comparable period one year ago. The increase represents investments in a new financial information system, a new customer interface system, as well as other strategic initiatives designed to improve productivity and profitability. As of September 30, 1998, the Company had uncommitted bank lines of credit of $170 million available at variable interest rates. As of that date, there were no amounts drawn on those lines. The Company also had a $150 million committed line of credit available for borrowing and as support for commercial paper. As of September 30, 1998, the Company had no commercial paper outstanding and no indebtedness outstanding under its committed line of credit. Additionally, the Company had 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 September 30, 1998, no such notes were issued or outstanding. Cash dividends totaled $89.9 million for the first nine months of 1998 compared to $91.3 million for the first nine months of 1997.

Year 2000 Readiness Disclosure

General Approach and State of Readiness. In 1996, the Company initiated a company wide program to prepare its computer systems, applications, embedded chip equipment and third-party suppliers/customers for the year 2000. The year 2000 issue affects the Company and most of the other companies and governmental agencies in the world. Historically, certain computer programs were written using two digits rather than four to define the applicable year. As a result, some programs may recognize a date which uses the two digits

"00" as 1900 rather than the year 2000, which may cause them to, among other things, generate erroneous data, lose data elements and possibly fail.

The Company is using a multi-phase approach in conducting its year 2000 remediation efforts. These phases are: assessment; analysis and formulation of remediation strategy; solution implementation; testing; and certification using internally developed criteria. The Company has divided its internal readiness review between "mission critical" systems and equipment and other assets. The project is organized around nine types of computerized assets. The asset types include internally developed applications, product-to-market software and systems, third-party purchased software, data centers, networks, environmental systems, purchased hardware (including embedded chip and desktop equipment), third party assessment and external interfaces. During 1997, the Company performed assessment and prioritization of all affected areas, defined appropriate resolution strategies and began execution of those strategies. The compliance strategies included renovation, replacement and retirement of systems and equipment.

As of September 1998, the overall project is approximately 75% complete and approximately 80% complete with respect to areas identified as "mission critical."

The testing phase is expected to be complete for mission critical components within all asset types by the end of 1998, at which point, the overall project is expected to be approximately 90% complete. Certification of critical assets in all internal categories should be 95% complete by the end of 1998 and certification is expected to be 95% complete across all internal categories by June of 1999. Also during 1999, the project focus will shift toward completion of customer and vendor testing and contingency execution.

As part of its year 2000 review, the Company has also assessed the readiness of its facilities with respect to embedded chip equipment. Included in this effort was all plant manufacturing equipment, HVAC systems, building security systems, PCs and other office equipment such as printers, faxes and copy machines. The most frequent method of achieving compliance in this area is replacement of non-compliant systems and equipment. This effort was approximately 75% complete at September 30, 1998 and is scheduled for completion by September of 1999.

Another area of focus for the Company is the year 2000 readiness of its significant suppliers and customers, both from the standpoint of technology and product/service provision. These external organizations have been contacted and have provided responses to year 2000 assessment requests. Site visits and action plans are being developed as appropriate, based on the importance of the organizations to the Company's ability to provide products and services. Overall, this category was approximately 75% complete as of the end of September 1998, and this effort is expected to be complete by March 1999.

Costs. The Company expects to incur project expenses of approximately $26.5 million over the life of its year 2000 project, consisting of both internal staff costs and consulting expenses, with $12.6 having been incurred through September 30, 1998. Funds for the initiative are provided from a separate budget of $26.5 million for the remediation of all affected systems. The Company's SAP software implementation costs and other capital expenditures associated with the replacement or improvement of affected systems are not included in these cost estimates. The Company has not deferred any material information technology project as a result of the initiative.

Risk and Contingency. Because of the nature of the Company's business, the year 2000 issue would, if unaddressed, pose a material business risk for the Company. Business operations may be at risk, as well as customer information interfaces and the provision of products/services. The risk is further increased by the potential for the Company to fall out of compliance with policies set by the Federal Financial Institution Examination Council, National Credit Union Agency and other Federal and regional regulatory bodies.

The Company presently believes that with the planned modifications to existing systems and the replacement or retirement 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. The Company has prioritized its renovation efforts to focus first on its mission critical internal systems and the Company believes it is presently on schedule to complete this component of its remediation efforts before the relevant year 2000 failure dates are reached.

In addition to the planned modifications, replacements and retirements, the Company has developed risk mitigation processes and created contingency plans in an effort to limit the inherent risk of the Year 2000 issue. Manual fall-back processes and procedures have been identified and put in place, particularly in cases where vendor equipment or services begin to demonstrate the potential to be unavailable in a timely manner. The Company is also preparing plans to deploy internal teams to repair problems as they arise when the century rolls over. Ongoing audit reviews are scheduled during the latter part of 1999 and into 2000 to ensure that compliance control processes continue to be in use. In addition, the Company is enhancing its existing business resumption plans and believes its existing liability insurance programs should mitigate its loss exposure in the event that operational problems do arise.

This discussion should be read in conjunction with the disclosures contained in "Item 5 -- Risk Factors and Cautionary Statements -- Year 2000 Readiness Disclosure," which appears in Part II of this Quarterly Report on Form 10-Q.

Outlook

Throughout the remainder of 1998 and 1999, 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 continue its efforts to complete its divestiture program by selling its remaining non-strategic businesses so it can focus on its growth opportunities.

PART II. OTHER INFORMATION

Item 5. Other Information

RISK FACTORS AND CAUTIONARY STATEMENTS

When used in this Quarterly Report on Form 10-Q and in future filings by the Company with the Securities and Exchange Commission (the "Commission"), in the Company's press releases and in oral statements made by the Company's representatives, 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 discussion supersedes the discussion in the Company's current Report on Form 8-K/A, which was filed with the Commission on October 22, 1998.

Earnings Estimates; Cost Reductions. From time to time, representatives of the Company may make predictions or forecasts regarding the Company's future results, including estimated earnings or earnings from operations. Any forecast, including the Company's current statement that it expects fourth quarter earnings to fall between $.65 and $.71 per share (and between $2.29 and $2.35 per share for 1998, after excluding the $70 million pre-tax special charge taken by the Company in the third quarter) and to achieve at least 11 to 15 percent annual growth in earnings in1999 and 2000, regarding the Company's future performance reflects various assumptions, including assumptions regarding the timing of certain anticipated divestitures (See "Sale of Businesses"). 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. In addition, it is not expected that the earnings growth projected for 1999 and 2000 will be representative of results that may be achieved in subsequent years.

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, 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.

Sale of Businesses. The Company has a continuing intention to divest the remaining businesses comprising its Deluxe Direct segment (Social Expressions and PaperDirect) and has announced its intention to divest its Direct Response business unit. Although the Company has entered into non-binding letters of intent providing for the sale of these businesses with potential buyers, definitive divestiture agreements have not yet been negotiated. A failure to reach agreement on the exact terms of one or more of the planned divestitures could delay the anticipated sales. Such a failure or a failure by the Company to achieve the expected sales prices for the businesses to be divested could result in further write-offs by the Company, some of which could be significant. In addition, a delay in the execution of these sales could cause the Company to incur continued operating losses from the businesses sought to be divested, disrupt or otherwise adversely affect the operations of those businesses or require the Company to make unanticipated investments in them. Any such delay would also postpone the receipt and use by the Company of the proceeds expected to be generated thereby.

Timing and Amount of Anticipated Cost Reductions. With regard to the results of the Company's ongoing cost reduction efforts (including the Company's current review of its Selling, General and Administrative cost levels), there can be no assurance that the projected $100 million of pre-tax annual cost savings will be fully realized or will be achieved within the time periods expected. The implementation of the printing plant closures upon which some of the anticipated savings depend 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. The Company has previously experienced unanticipated delays in the planned roll-out of its on-line ordering system. Although the Company expects to again begin converting customers to this new system in the fourth quarter of 1998 and believes that the delays it has experienced will not materially affect its current plant closing schedule, there can be no assurances such will be the case or that additional sources of delays will not be encountered because of the complexities inherent in the development of software products as sophisticated as those needed to accomplish this task. Any such event could adversely affect the planned consolidation of the Company's printing facilities and the achievement of the expected productivity improvements and delay the realization or reduce the amount of the anticipated expense reductions.

In addition, the achievement of the targeted level of cost savings is dependent upon the successful execution of a variety of other cost reduction strategies throughout the Company's operations. These additional efforts include the consolidation of the Company's purchasing process and certain administrative and sales support organizations, the disposition of unprofitable or low-margin businesses, headcount reductions and other efforts. The optimum means of realizing many of these strategies is still being evaluated by the Company. Unexpected delays, complicating factors and other hindrances are common in the implementation of these types of endeavors and can arise from a variety of sources, some of which are likely to have been unanticipated. In addition, the Company may incur additional charges against its earnings in connection with future programs. 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.

Other Dispositions and Acquisitions. In connection with its ongoing restructuring, the Company may also consider divesting or discontinuing the operations 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 consequent 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 or that any such loss can be counterbalanced through the addition of new customers or by expanded sales to the Company's remaining customers.

Capital Expense Reductions. The Company has announced that it expects that its 1998 capital spending budget should decline from previous estimates due in part to the application of a new methodology for evaluating the Company's projected return on various forms of investment. The use of this methodology represents a revised analytic approach by the Company and the long-term benefits to be derived therefrom cannot presently be precisely determined.

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 business. 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 or delivery in the retail prices of its products.

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 similar pressures can reasonably be expected in the future, although the timing and amount of reduced profits that may result from such pressure is unascertainable.

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 electronic and other 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. The Company believes that there will continue to be a substantial market for checks for the foreseeable future, although a reduction in the volume of checks used by consumers is expected. The rate and the extent to which alternative payment methods will achieve consumer acceptance and replace checks cannot, however, be predicted with certainty. A surge in the popularity of any of these alternative payment methods could have 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.

Debit Bureau. The Company has recently announced alliances with several entities that are intended to offer decision support tools and information to 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 services or the generation of incremental revenues or profits in material amounts. In any event, the continued development of the debit bureau is expected to require a significant level of investment by the Company.

HCL Joint Venture. There can be no assurance that the software, transaction processing services and 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.

Limited Source of Supply. The Company's check printing business utilizes a paper printing plate material that is available from only a limited number of sources. The Company believes it has a reliable source of supply for this material and that it maintains an inventory sufficient to avoid any production disruptions in the event of an interruption of its supply. In the event, however, that the Company's current supplier becomes unwilling or unable to supply the required printing plate material at an acceptable price and the Company is unable to locate a suitable alternative source within a reasonable time frame, the Company would be forced to convert its facilities to an alternative printing process. Any such conversion would require the unanticipated investment of significant sums and there can be no assurance that the conversion could be accomplished without production delays.

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 segment during the first three quarters of any given year are not necessarily indicative of those which may be expected for the entire year.

Year 2000 Readiness Disclosure. In 1996, the Company initiated a companywide program to prepare its computer systems, applications and embedded chip equipment and third-party suppliers/customers for the year 2000. See "Item 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 Readiness Disclosure" which appears in Part I of this Quarterly Report on Form 10-Q.

Although the Company presently believes that with the planned modifications to existing systems and the replacement or retirement 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, there can be no absolute assurances in this regard. The Company's business operations, as well as its ability to provide products and services to its customers without undue delay or interruption, could be at risk in the event unanticipated year 2000 issues arise. In addition, there can be no absolute assurances that unanticipated expenses related to the Company's ongoing year 2000 compliance efforts will not be incurred. As previously noted, the Company has communicated with its key 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. There can be no guarantee 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 and there can be no assurance that the Company's contingency plans will adequately mitigate the effects of any third party noncompliance. In addition, it is unrealistic to assume that the Company could remain unaffected if the year 2000 issue results in a widespread economic downturn. Also, it is possible that the Company's insurance carriers could assert that its existing liability insurance programs do not cover liabilities arising out of any operational problems associated with the advent of the year 2000.

NEW 14a-4 NOTICE DEADLINE

Under the Company's amended Bylaws, the Company's Board of Directors may exclude proposals (including director nominations) from consideration at its annual shareholders' meeting if such proposals are not submitted on or before a date (the "Notice Date") at least 120 days prior to the date the Company's proxy statement was released to shareholders in connection with the previous year's annual meeting of shareholders. In addition, the proxies solicited by the Company's Board of Directors may confer discretionary authority upon the persons named therein to vote upon any matter submitted for consideration at any regular meeting of shareholders (without discussion of the matter in the Company's proxy statement) if the Company does not receive proper notice of such matter prior to the Notice Date. The Notice Date applicable to the Company's 1999 annual meeting of shareholders is December 2, 1998.

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit No.	Description	Method of Filing
3.1	Bylaws of Deluxe Corporation (as amended October 30, 1998)	Filed herewith
12.3	Computation of Ratio of Earnings to Fixed Charges	Filed herewith
27.1	Financial Data Schedule	Filed herewith

(b) The registrant did not, and was not required to, file any reports on form 8-K during the quarter for which this report is filed.

SIGNATURES

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

DELUXE CORPORATION
(Registrant)

Date November 13, 1998

/s/ J.A. Blanchard III

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

Date November 13, 1998

/s/ Thomas W. VanHimbergen

Thomas W. VanHimbergen
Senior Vice President
and Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit 3.1

BYLAWS

OF

DELUXE CORPORATION
(AS AMENDED OCTOBER 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 (the "Notice 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 board of directors 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 Notice Date and shall be presented at the meeting by the proposing shareholder.

(e) The proxies solicited by the corporation's board of directors may confer discretionary authority upon the persons named therein to vote on any matter submitted for consideration at any regular meeting of shareholders (i) if the corporation does not receive proper notice of such matter on or before the Notice Date or (ii) as otherwise permitted by applicable laws, rules and regulations, including, without limitation, the Exchange Act and rules and regulations promulgated thereunder.

(f) 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 6. 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 7. 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 8. 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 9. STOCK OWNERSHIP. Directors shall be shareholders of the corporation.

SECTION 10. 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 12.3

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Nine Months Ended September 30, 1998	Years Ended December 31, 1997	1996	1995	1994	1993	1992
Earnings							
Income from Continuing Operations before Income Taxes	$151,110	$115,150	$118,765	$169,319	$246,706	$235,913	$324,783
Interest expense (excluding capitalized interest)	6,293	8,822	10,649	13,099	9,733	10,070	15,371
Portion of rent expense under long-term operating leases representative of an interest factor	10,803	13,621	13,467	14,761	13,554	13,259	12,923
Amortization of debt expense	91	122	121	84	84	84	84
TOTAL EARNINGS	$168,297	$137,715	$143,002	$197,262	$270,077	$259,326	$353,161
Fixed charges							
Interest Expense (including capitalized interest)	7,378	$ 9,742	$ 11,978	$ 14,714	$ 10,492	$ 10,555	$ 15,824
Portion of rent expense under long-term operating leases representative of an interest factor	10,803	13,621	13,467	14,761	13,554	13,259	12,923
Amortization of debt expense	91	122	121	84	84	84	84
TOTAL FIXED CHARGES	$ 18,272	$ 23,485	$ 25,566	$ 29,559	$ 24,130	$ 23,898	$ 28,831
RATIO OF EARNINGS TO FIXED CHARGES:	9.2	5.9	5.6	6.7	11.2	10.9	12.2

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