Enhancing shareholder value...

2000 Annual Report DELUXE

Company Profile

Deluxe Corporation provides checks and related products to consumers and small businesses through financial institutions, the Internet and direct mail. The company also offers comprehensive check security features, and profit-maximization and retention programs for financial institutions. Since its beginning in 1915, Deluxe has been instrumental in shaping the payments industry. Headquartered in St. Paul, Minnesota, Deluxe was listed as the 802nd-largest U.S. company according to *Fortune* magazine's 2000 rankings. For more information about Deluxe, log on to www.deluxe.com.

Facts

* Deluxe is the world's largest check printer.
* In 2000, Deluxe produced more than 100 million check orders.
* Deluxe serves more than 10,000 financial services companies.
* Deluxe supplies checks and related products to nearly 640,000 small businesses annually.
* Checks Unlimited is the nation's leading direct-to-consumer check supplier and has served more than 31 million customers.
* Deluxe had revenues of $1.26 billion in 2000.

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On the Cover

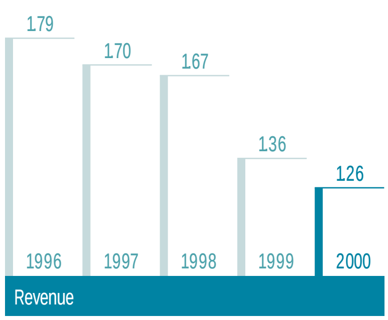
Deborah Brothers

Electronic Delivery Specialist (EDS), Cincinnati, Ohio

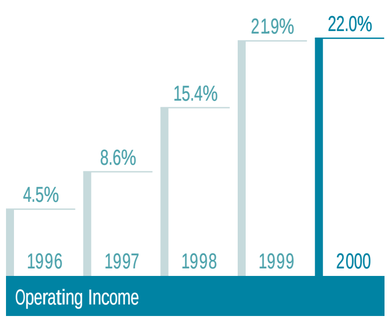
Deborah is one of the thousands of Deluxe employees who exhibits the initiative and dedication that contribute to the company's efforts to enhance shareholder value. She's the first of eight outstanding people you'll meet in this report. The others' stories start on page 8. During 2000 Deborah was adaptable enough to prosper during an office relocation and a "temporary" assignment as process analyst. Not only did she take on the challenge, but succeeded superbly, and went on to train an EDS team with members spread over five locations. Asked to join a Quality Action Team, she agreed, and earned a "Supporting the Opportunity" award for her contributions. Deborah's been contributing to Deluxe like this for two decades.

Financial Highlights

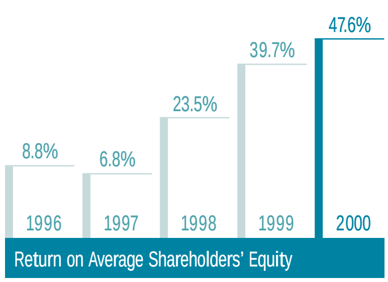
(Dollars in thousands, except per share amounts)	2000	1999
Revenue	$1,262,712	$1,363,798
Operating Income	277,310	298,234
Operating Income as a Percentage of Revenue	22.0%	21.9%
Earnings Before Interest, Taxes, Depreciation and Amortization	348,362	383,138
Income From Continuing Operations	169,472	204,321
Per Share – Diluted	2.34	2.65
Net Income	161,936	203,022
Per Share – Diluted	2.24	2.64
Average Common Shares Outstanding (thousands)	72,324	76,710
Return on Revenue for Continued Operations	13.4%	15.0%
Return on Average Shareholders' Equity	47.6%	39.7%
Cash Dividends per Share	1.48	1.48
Number of Employees	7,800	8,900

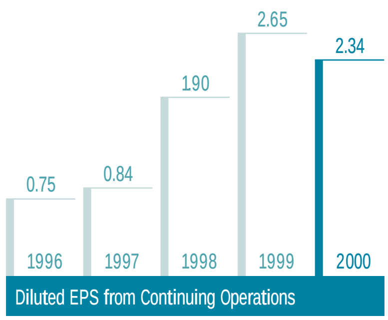


(dollars in billions)



(as a percentage of revenue)





(dollars)

2001 is a new beginning for Deluxe, the year we start to grow all over again. And we will do that by focusing on what we do best – provide checks and related products and services to financial institutions, small businesses and consumers. We continue to focus on our printing roots. However, we are firmly geared toward the future.

Lawrence J. Mosner
Chairman and
Chief Executive Officer

Letter to shareholders

As I write my first letter to you as chief executive officer of Deluxe Corporation, it's winter in Minnesota. By the time you read this, we will be a few weeks closer to spring when the plants will once again break the ground's surface and grow.

I'm a gardener, and I planted a bed of hostas when we moved into our home. Now, three years later, they've overgrown their space and need to be separated. I'm not looking forward to the task because it means turning plants that are nearly three feet in diameter into several much smaller plants. Still, I know the job has to be done. The plants need to be separated and relocated so all of them can continue to grow and thrive.

The hostas crossed my mind often during last year's separation of eFunds from Deluxe. Whether to spin-off eFunds wasn't an easy decision, but we knew the separation was in the best interest of both companies so that each could thrive and create greater value for its individual shareholders.

A new start

That means 2001 is a new beginning for Deluxe, the year we start to grow all over again. And we will do that by focusing on what we do best – provide checks and related products and services to financial institutions, small businesses and consumers. We continue to focus on our printing roots. However, we are firmly geared toward the future.

A vision for Deluxe

A new beginning was a perfect opportunity to ask ourselves what we wanted this company to become. We knew there were a number of values that seemed to be ingrained in the company's culture – things we wanted to hold on to. We call them our shared values and they are: Openness, Trust, and Integrity; Innovation; Partnering for the Common Goal; Recognition and Celebration; Respect and Dignity for All; and Quality.

While we wanted to keep what was already great about Deluxe, we knew we needed a vision to ensure our success in the future. We looked a level deeper than printing and examined what it is we're really good at, and that's where we found the elements for our vision: "Grow Deluxe by leveraging our personalization, direct marketing and e-commerce competencies."

We will realize our vision through five objectives: revenue growth, client and customer loyalty, people, cost management and transformation. You can read more about each one starting on page 8.

Financial strength: the key to increasing shareholder value

Our shared values, vision and objectives are in place so that we can enhance shareholder value. Here's how we have begun and will continue to accomplish this goal:

* We successfully completed the spin-off of eFunds Corporation in 2000. We distributed 40 million shares of eFunds common stock to Deluxe shareholders. The spin-off had significant impact on shareholder value, and as of the end of February, Deluxe shareholders had earned 28% from January 31, 2000 when we announced our plan to separate eFunds from Deluxe.

* Post-eFunds spin-off, we continue to be financially strong. Cash provided by operating activities in 2000 was $254 million, up from $221 million in 1999. Cash flow per share increased to $3.50 from $2.87 in the same period. Our earnings before interest, taxes, depreciation and amortization (EBITDA) were $348 million in 2000.

* We announced that our board approved a 14 million share repurchase program, demonstrating our continued commitment to increase shareholder value.

* We will continue to invest in high-return projects in our business, such as those we've made to enhance and expand our Internet sites. We will also consider strategic acquisitions that leverage our core competencies and are accretive to earnings and cash flow per share. We will use the anticipated rate of return from stock repurchases as a guidepost when exploring future growth opportunities.

* We will maintain our annual $1.48 per share cash dividend. At the end of 2000, our yield put us among the top five dividend-paying companies in the Standard & Poor's

500. Our ability to generate cash, along with our financial strength, makes Deluxe an outstanding value-based, long-term investment.

2000 – Key events

In February we announced the acquisition of Designer Checks, Inc. The assimilation of this Anniston, Alabama company into the rest of our business surpassed all expectations, as did the synergies created from the acquisition, cash flow per share, and Designer's contribution to total revenue and profits. We anticipate continued growth in this business.

We also saw promising growth in business coming through the Internet, proving that our investment is paying off. The beauty of moving business to the Internet is that it creates a win-win-win situation. End consumers (check writers) win because they have easy and convenient access to Deluxe's full line of checks and accessories, and they enter their own order information which dramatically increases accuracy. Our financial institution clients win because they can focus on selling other more profitable products and services. And Deluxe wins because we move consumers to an order capture vehicle that generates a higher average-per-order dollar value and increased accuracy, all at a lower cost. In 2000, orders via the Internet grew almost 300 percent from the previous year.

In the area of services, our SecureMail℠ check-ordering fraud prevention and mail security service protected over 13 million consumers in 2000.

And finally, a few pieces of news that were announced early this year but were initiated in 2000.

* We signed an agreement with Boeing Employees' Credit Union to be the organization's sole provider of check printing and related services. The contract also calls for Deluxe to provide a variety of e-commerce services to help the credit union serve its members more efficiently at its branches and over the Internet.

* We renewed contracts with Citibank, N.A. and The Chase Manhattan Bank, extending our relationships well into the 21st century.

* Last, but certainly not least, was the introduction of the new line of personal checks and accessories featuring Disney® characters (more about this relationship on page 9). This introduction marks the first time Disney® characters have been available to the general public on this type of product. We expect Disney® to become one of our most popular lines.

Checks and more

When asked the question, "Where do you bank?" most people respond with the name of the financial institution where they have their checking account. That's because a checking account remains the anchor relationship between an individual and a financial institution. In fact, consumers spent more than $3 billion on checks ordered through financial institutions in 2000.

Most of Deluxe's business is conducted through financial institutions. They trust us to work with their customers on their behalf, eliminating their need for a retail check infrastructure. We also partner with them in providing valuable programs that allow them to maximize relationships with their customers and provide enhanced security.

In the highly competitive, mature check-printing industry, delivering value to these customers keeps us ahead of the competition and helps maintain our profit margins. We are confident that our merchandising and direct marketing capabilities, plus Internet sales opportunities, will keep us printing checks for years to come.

Nevertheless, Deluxe is more than checks. Through Deluxe Business Forms, we offer a full line of products such as laser forms, envelopes, labels, and tax forms (and, of course, checks) to small offices and home offices. Our computer-based checks and forms are compatible with nearly every off-the-shelf business accounting software program on the market. We also offer a service called the Business Referral Program (BRP) to financial institutions. BRP makes it convenient for small businesses to purchase check and check products directly from their banks and credit unions, and is designed to increase sales for financial institutions.

People – our most valuable resource

When we talk about enhancing shareholder value and delivering quality to customers, our people are at the foundation. Employee commitment, loyalty and productivity are crucial in meeting our goals.

In 2000, we undertook an exhaustive survey of employee attitudes to determine what will be needed to keep them fully engaged. As a follow-up, senior management traveled to every Deluxe facility in order to have a dialog with employees. The discussions were informal; no issue was off limits.

I know I can speak for my colleagues and say that we were very impressed with employees' honesty. We found that people have a genuine desire to contribute and that they have a deep commitment to improve the company. The visits were so successful that at least one member of the executive team will visit each facility at least twice a year.

What's ahead?

We closed out 2000 with optimism and confidence, and began 2001 the same way. We look to the future with equal enthusiasm. And why not?

∗ Deluxe has the financial strength, industry leadership, executive talent and employee commitment necessary for continued success.

∗ We are a leader in our use of technology – for printing (our analysis shows that it is the most cost-effective in the industry), within our software (upgrades keep our Internet sites both user-friendly, productive and secure) and for our telephony and customer service computer systems.

∗ We have the sales and marketing skills to find new customers and sell more products and services. We will leverage personalization, quality and value-added services to retain the loyalty of our financial institution clients and consumers.

∗ Our e-commerce capabilities run deep. We have proven that we can not only survive in the world of e-commerce, but thrive.

Transitions

And a few more acknowledgments: For the first time since 1995, Gus Blanchard isn't the person writing this letter. Gus skillfully led Deluxe as chief executive officer since 1995 and chairman since 1996. He has assumed the same roles with eFunds. I am sincerely grateful for his dedication, integrity and contributions to Deluxe.

I also want to thank our departing board members for their service. Dr. James Renier has retired, and Jack Robinson and Hatim Tyabji have joined the eFunds board.

And, I'd like to welcome three new members to the Deluxe board of directors: Daniel D. Granger, Cheryl E. Mayberry and Charles A. Haggerty. Their knowledge and experience make them excellent additions. I look forward to working with them and our returning board members as we pilot Deluxe into the future.

Turn the page

I invite you to read on and to learn more about the five objectives driving our vision. I think you will see a combination of the 85-year-old Deluxe – a company proud of its heritage – and the "new" Deluxe – a company poised with the vision to carry us successfully into the future.

Lawrence J. Mosner
Chairman and Chief Executive Officer

Deluxe Corporation

Wall Street would be full of winners if every company knew a foolproof formula for delivering value to investors. While no formula exists, we've taken a probing look within to identify what components would make up such a formula. We found some solid ingredients within the company: financial strength, market leadership, quality of products and services, pride in doing the job right and powerful core competencies. * 2000 was a busy year for Deluxe. We exited the year looking quite different than we did at the beginning. We also entered 2001 confidently because we are more sharply focused on what we do best. * With a new strategic guide for decision making, we are poised to extend our market leadership. Our key

Enhancing shareholder value...

objective is boldly stated in our vision: "Grow Deluxe by leveraging our personalization, direct marketing and e-commerce competencies." * We pinpointed five objectives that require strategic action to realize this vision. They are introduced on the right and explained in more detail on the following pages. By successfully enacting these strategies, we expect to reach our vision and continue to enhance shareholder value.

with confidence.

Revenue growth

Even though the U.S. check market is mature, there are still growth opportunities. We will grow revenue by shifting orders to the Internet, marketing non-check products and services, forging strategic alliances, and closing the gap between the check styles customers prefer and the ones they actually order.

Client and customer loyalty

We seek long-term, profitable relationships with financial institutions, small businesses and consumers. We earn their loyalty through outstanding service, impeccable quality and dazzling choices for self-expression.

People

Commitment generates a competitive advantage. Our company culture fosters employee engagement through increased communication, development and growth opportunities, and ongoing evaluation of work activities.

Cost management

We will continue to eliminate redundant systems and processes, and drive efficiency and productivity through innovative process redesign and continuous improvement.

Transformation

Each day the "new economy" brings fresh demands on businesses. As a technology leader, we are ready and flexible enough to adapt and thrive.

Revenue growth is our goal.

Americans write 60 billion checks each year. While Deluxe offers checks with pictures of everything from angels to Tazmanian devils, our research shows that many customers' check design preferences don't match their actual use. * Therein lies an opportunity – opportunity for growth and increased customer satisfaction. * Deluxe will grow revenue (and increase customer satisfaction) by investing in our e-commerce and telephony capabilities in order to sell products and services directly to consumers. In 2000 we received 70 percent of our financial institutions' orders electronically, a lower-cost and highly accurate way to capture orders. * Growth may also take the form of acquisitions, such as the February 2000

Enhancing shareholder value by seizing opportunity...

purchase of Designer Checks, Inc.; new products and services such as SecureMail℠ (see page 4) and the Business Referral Program (see page 4) and revenue-producing alliances such as our new licensing agreement with Disney® Enterprises (at right). * However we grow, it will be by doing what we know best – product personalization, direct marketing and e-commerce.

Martha Smith,
Regional Vice President of Sales and Support

Martha and her sales team are major contributors to Deluxe's growth. They won the contract for Deluxe to be the sole provider of check printing and related services for the Boeing Employees' Credit Union (BECU). The relationship includes a broad variety of Deluxe e-commerce services to help the credit union more efficiently serve its members. BECU is the third-largest U.S. credit union, with 270,000 members and $3 billion in assets.

with a mouse.

One strategy for growth

He's not just any mouse, he's *The* Mouse – Mickey! A little magic came to Deluxe in January 2001 when the company announced a licensing arrangement to feature Disney® characters. This marks the first time Disney® characters have appeared on personal checks available to the general public. More than eight Disney® character check packages, featuring 40 different scenes from Disney® films and stories, are or will be available on checks from Deluxe, Checks Unlimited and Designer Checks.

Deluxe pioneered the concept of specialty and licensed-image check designs in the 1980s. Today, licensing alliances are one of several avenues (at left) by which Deluxe is pursuing revenue growth.

We earn loyalty each day.

"What have you done for me lately?" – the phrase most businesses hate to hear from their customers. Not at Deluxe. That's because Deluxe has delivered service, value, accuracy and quality for more than 85 years. By focusing on the customer, we have maintained long-term, profitable relationships. So far, so good–at the end of 2000, we were working with 10,000 financial institutions, including 45 virtual banks. ∗ But we don't rest on these laurels. We're out there earning loyalty every day. We keep developing valuable services for our financial institution clients: Our O N E® suite of connectivity service options puts Deluxe technology on their desktops. Other products help them stabilize costs and minimize impact on their customers

Enhancing shareholder value by serving customers...

during bank conversions. Our clients trust us to work with their customers. ∗ We make it easy for individuals and small businesses to order any way they want: in person at their financial institution, online, and by phone, fax or mail. We also give them the ultimate opportunity to personalize products, with thousands of personalization options (at right).

Mary Glaeser,
Quality Services-Client and Customer Loyalty, Shoreview, Minn.

Successful businesses don't wait to improve only after customers complain. Mary knows that. She helped develop a more sophisticated survey method by which Deluxe can gauge customer and client loyalty and satisfaction. It's already in action and pointing to improvements that can be made before relationship-damaging problems occur.

Personalization and security

Deluxe has something for the most discriminating shopper. Consumer research shows that Americans choose check designs for the same reason they buy certain clothes and cars – to make a personal statement. From Deluxe's premier line-up of choices, customers can select from a variety of designs: scenic, animals, floral; playful or serious; as well as a number of licensed designs available only from Deluxe, Checks Unlimited and Designer Checks.

Consumers are also concerned about protecting their money. So we provide, and our financial institution clients choose, SecureMail℠, which helps check orders from ending up in the wrong hands. In 2000, 18 percent of our clients elected its security features.

Privacy is also high on consumers' shopping lists. Deluxe handles data in accordance with legal and industry standards of privacy, and has a process in place to handle inquiries. Our Web sites have earned the privacy and reliability seals from the Council of Better Business Bureaus.

with style.

We rely on our people.

Though it doesn't take an army to print a check, it does take a cohesive community to get the job done right. Our competitive advantage springs from the commitment of our people. But a company can't assume its employees are content, especially in today's economy. * In February 2000, we conducted a survey of all employees in every location. We found that enhanced communication, advancement opportunities and an evaluation of work activities would significantly impact employees' engagement in their jobs. * Starting in spring 2000, executive leadership visited every facility to establish a face-to-face, candid dialogue. As new CEO Larry Mosner put it: "There is great value in being able to look someone in the eye and discuss the tough issues we face in order to remain competitive." * There's more. During the

Enhancing shareholder value by creating a culture...

first quarter of 2001, "cyber cafes" (free-standing kiosks with computers) will be installed for employees who don't otherwise have access to a computer at work. Cyber cafes will give employees access to personnel records, job postings and benefits information such as medical and retirement plans.

Michelle Daniel, (right)
Team Leader in Training, Syracuse, N.Y.
Teressa Stephens-Gilbert, (left)
Fraud Prevention Specialist, Syracuse, N.Y.

Michelle and Teressa shine brightly as examples of Deluxe's values. As members of the Syracuse Center's Diversity Team, they help maintain a high level of diversity awareness through participatory programs and education. They have extended their expertise to the community, helping both Fleet Bank and Solvay Bank establish similar programs.

Shared values

Many employees have come forward as outstanding embodiments of the shared values that define the Deluxe culture: partnering for the common goal; recognition and celebration; respect and dignity for all; openness, trust and integrity; innovation; and quality. One such person is Brad Parker in Anniston, Alabama.

Shortly after Deluxe acquired Designer Checks, Inc., Brad was selected to lead the Order Capture Department at Designer Checks. He helped establish goals and implement employee process improvement ideas. Brad's style and empathy contributed to a substantial improvement in morale. He made family-friendly work schedules available, engaging employees in the process. Turnover was reduced by 90 percent; productivity increased by 65 percent; and accuracy doubled. Brad also was recognized by the Alabama Governor's Committee on Employment of People with Disabilities for working creatively with local community agencies to ensure an inclusive workplace.

Our efficiency delivers quality.

The old adage, "A penny saved is a penny earned," still applies, even when corporate revenues exceed $1 billion. Over the past several years, Deluxe has dramatically reduced costs by consolidating facilities, automating processes and outsourcing non-strategic activities. Our new focus will be more on reducing cost and improving quality through innovative process redesign and continuous improvement. * We launched 10 quality action teams comprised of 64 front-line employees. The teams were charged with finding ways to improve order accuracy, shipping and billing. * Many activities analyzed and tested during 2000 have saved money and increased revenue: * SecureMail[SM], Business Referral Program and Order Satisfaction Line improvements are projected to yield millions in revenue. * Call center employee ideas netted a 10 percent improvement in revenue per hour and over $500,000 in

Enhancing shareholder value by managing the process...

annual savings. * A team reduced reworks due to data set-up errors by 33 percent, with forecasted annual savings of $720,000. * Call center staff equipped with statistically proven sales and customer service techniques delivered high quality service to their customers. * A quality team improved financial institution check billing accuracy to a four-year high.

Bob Wright,
Industrial Engineer, Streetsboro, Ohio

When Bob joined Deluxe in 1998, he brought along a powerful concept – lean manufacturing. He quickly spread the word about this common sense approach that involves everyone in improving the way work gets done and helping reduce costs – one small step at a time. He's now teaching teams to implement the concept and make it a way of life at Deluxe.

Continuous improvement

A check box. Whether it's the familiar red and black one with the Deluxe logo, the picturesque one with the mountain scene from Checks Unlimited, or the elegant one from Designer Checks, it's a symbol for what's inside – checks that are printed correctly nearly 100 percent of the time. Maintaining this standard of excellence takes ongoing vigilance. In 2000, we introduced a quality management system that uses client data, employee feedback, and operational and financial performance data to establish priorities for improvement. Satisfaction and loyalty surveys also help drive improvements. More than ever we know what Deluxe quality means and how to preserve it.

with precision.

We're ready for tomorrow.

The future can be unsettling. But only if you're unprepared for it. Deluxe is well-positioned to make the most of future opportunities. We have the resources to make strategic acquisitions, develop new products, expand our e-commerce capabilities and establish profitable alliances. * Our leadership position in the area of technology gives us a competitive edge: we've expanded our e-commerce presence, our call center telephony equipment is state-of-the-art and we continue to enhance our highly cost-effective and proven print technology. * Another edge comes from our ability to manage extraordinary amounts of information. Besides the millions of different instructions we handle to print accurate checks each day, we maintain

Enhancing shareholder value by embracing change...

customer service records on tens of millions of accounts. We processed more than 100 million check units in 2000. Our accuracy and quality in processing those units set us apart from the competition.

Vince Kunz,
e-Commerce Planner/Analyst,
Colorado Springs, Colo.

Vince knows that in the world of e-commerce, a business won't remain competitive by resting on its laurels. He has helped drive improvements in the Checks Unlimited website by applying what he's learned – examining web site usability studies, analyzing new marketing techniques, and implementing navigation strategies and technology to develop a world class website.

with a click.

New economy, same business

Orange computers? Today's laptops are not only more attractive, they're more powerful and easier to use. The Internet has similar attributes and requirements: Each day it becomes a more powerful channel for conducting business. Deluxe has seamlessly applied 85 years of experience to the "new economy." By leveraging a strong direct marketing organization with Internet technology we will expand product offerings and revenues.

We have Internet sites for consumers, virtual banks, small businesses, as well as the customers of our traditional financial institution clients. In May, we redesigned our Checks Unlimited™ site for smoother navigation and added a check wizard that guides customers through the order process. Together, the Checks Unlimited and Designer Checks sites received over 1 million check orders in 2000. We provide Internet technology to our financial institution clients, such as O N E® on Demand, a browser-based service that provides a secure link to Deluxe.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Profile

During 2000, we operated two business segments: Paper Payment Systems and eFunds. Paper Payment Systems provides checks and related products to individuals and small businesses located in the United States. eFunds provides transaction processing and risk management services to financial institutions, retailers, electronic funds transfer networks, e-commerce providers and government agencies and also offers information technology consulting and business process management services. On December 29, 2000, we distributed our 40 million shares of eFunds Corporation stock, representing 87.9% of eFunds' total outstanding stock, to our shareholders of record on December 11, 2000. Each shareholder received .5514 eFunds share for each Deluxe share owned. Cash was issued in lieu of fractional shares. We received confirmation from the Internal Revenue Service that this spin-off transaction would be tax-free to us and to our shareholders for U.S. federal income tax purposes, except to the extent that cash was received in lieu of fractional shares. The results of the eFunds segment are reflected as discontinued operations in our consolidated financial statements.

During 1999 and 1998, we also operated NRC Holding Corporation, a collections business. This business was sold in December 1999.

During 1998, we operated two additional segments: Direct Response and Deluxe Direct. The sales of both of these businesses were completed in December 1998. Direct Response provided direct marketing, customer database management, and related services to the financial industry and other businesses. Deluxe Direct primarily sold greeting cards, stationery, and specialty paper products through direct mail.

Unusual Charges and Credits

Over the past three years, we have had charges for restructurings, asset impairments and other developments, as well as gains and losses from the dispositions of businesses. These items have had a significant impact on our results of operations and financial position over this period of time. The significant items recorded in 2000, 1999 and 1998, on a pre-tax basis, were:

Year Ended December 31, (dollars in thousands)	2000	1999	1998
Continuing operations:			
Net restructuring (reversals) charges	$ (2,253)	$ (8,155)	$36,327
Asset impairment charges	9,740	–	–
(Gains) losses on sales of businesses	–	(19,770)	4,850
Total continuing operations	7,487	(27,925)	41,177
Discontinued operations	27,041	4,207	38,943
Total charges (gains)	$34,528	$(23,718)	$80,120

These items are reflected in our consolidated statements of income as follows:

Year Ended December 31, (dollars in thousands)	2000	1999	1998
Cost of goods sold	$ –	$ (1,950)	$10,853
Selling, general and administrative expense	7,369	(3,863)	17,941
Other expense (income)	118	(22,112)	12,383
Total continuing operations	7,487	(27,925)	41,177
Discontinued operations	27,041	4,207	38,943
Total charges (gains)	$34,528	$(23,718)	$80,120

For more information about these items, see Notes 4, 5, 6 and 16 to our consolidated financial statements.

Results of Operations

The following table presents, for the periods indicated, the relative composition of selected statement of income data:

Year Ended December 31,

	2000		1999		1998	
(dollars in thousands, except revenue per unit amounts)	$	% of Revenue	$	% of Revenue	$	% of Revenue
Continuing Operations:						
Revenue from external customers	$1,262,712	–	$1,363,798	–	$1,673,715	–
Gross profit	811,455	64.3%	807,886	59.2%	943,976	56.4%
Selling, general and administrative expense	534,145	42.3%	509,652	37.4%	686,082	41.0%
Operating income	277,310	22.0%	298,234	21.9%	257,894	15.4%
On-going operations:						
Revenue from external customers	$1,262,712	–	$1,239,724	–	$1,285,728	–
Units (millions)[1]	101.16	–	105.21	–	111.85	–
Revenue per unit	12.48	–	11.78	–	11.50	–
Gross profit	811,455	64.3%	777,342	62.7%	779,021	60.6%
Selling, general and administrative expense	534,145	42.3%	481,129	38.8%	507,241	39.5%
Operating income	277,310	22.0%	296,213	23.9%	271,780	21.1%
Divested businesses (including intercompany eliminations):						
Revenue from external customers	$ –	–	$ 124,074	–	$ 387,987	–
Gross profit	–	–	30,544	24.6%	164,955	42.5%
Selling, general and administrative expense	–	–	28,523	23.0%	178,841	46.1%
Operating income	–	–	2,021	1.6%	(13,886)	(3.6%)

[1] Units represents an equivalent measure used across all product lines to measure sales volume.

Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

REVENUE: Revenue decreased $101.1 million, or 7.4%, to $1,262.7 million for 2000 from $1,363.8 million for 1999. Our collections business, which was sold in December 1999, had revenue of $124.1 million in 1999. With this revenue excluded from 1999, revenue increased $23.0 million, or 1.9%, in 2000. We acquired Designer Checks in February 2000, which contributed revenue of $55.9 million. Additionally, revenue per unit increased 5.9% due to price increases and sales of higher priced products. We increased sales of higher priced products by selling directly to consumers where we could pursue opportunities to sell additional products. Partially offsetting these increases, was a 3.8% decrease in units due to lost financial institution clients and fewer new customers for products sold directly to consumers, excluding those obtained through the Designer Checks acquisition. The loss of financial institutions was due primarily to bank consolidations and competitive pricing which fell below our revenue and profitability per unit targets. There were fewer new customers for direct-to-consumer sales due to reduced spending on direct marketing.

In 2001, we plan to offset volume declines by expanding product offerings and increasing our customer base through promotional spending.

GROSS PROFIT: Gross profit increased $3.6 million to $811.5 million for 2000 from $807.9 million for 1999. As a percentage of revenue, gross margin increased to 64.3% in 2000 from 59.2% in 1999. Excluding our collections business which was sold in December 1999, gross profit increased $34.1 million and our 1999 gross margin percentage was 62.7%. The improvement over 1999 was due to process improvements, the loss of lower margin financial institution clients due to bank consolidations and competitive pricing, and increased revenue per unit. We continued to see cost savings from check printing plant closings, as well as general production efficiencies, including reduced inventory and supplies levels and improved production workflow. The last of the scheduled check printing plant closings was completed during the first quarter of 2000, and two facilities were consolidated into one at the end of the second quarter of 2000. We plan to continue our process improvements in 2001, although the large levels of cost savings seen in previous years are not anticipated.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE: Selling, general and administrative (SG&A) expense increased $24.4 million, or 4.8%, to $534.1 million for 2000 from $509.7 million for 1999. Excluding our collections business which was sold in December 1999, SG&A expense increased $53.0 million, or 11.0% in 2000. 2000 SG&A expense includes asset impairment charges of $9.7 million and restructuring charges of $0.9 million relating to a discontinued e-commerce project. During 2000, we introduced PlaidMoon.com, an Internet-based business concept that allowed consumers to design and purchase personalized items. In October 2000, we announced that we were scaling back and repositioning our PlaidMoon.com business concept. Instead of being a standalone business as had been planned, it is being folded into the rest of the business. As a result of this decision, we completed an evaluation to determine to what extent the long-lived assets and employees of the business could be utilized by our other businesses or with external alliance partners. We recorded the asset impairment and restructuring charges in the fourth quarter of 2000 based on the results of this evaluation. The increase in SG&A expense was also due to the acquisition of Designer Checks in February 2000 and increased spending on e-commerce capabilities for existing businesses. In 2001, we anticipate continuing spending on e-commerce infrastructure and increasing promotional spending to obtain new customers.

OTHER INCOME: Other income decreased $21.4 million to $2.5 million for 2000 from $23.9 million for 1999. This was primarily due to a gain of $19.8 million recognized in 1999 on the sale of our collections business.

INTEREST EXPENSE: Interest expense increased $3.2 million to $10.8 million for 2000 as compared to $7.6 million for 1999. This was due to higher levels of borrowings in 2000 than in 1999. During 2000, we had an average of $18.8 million drawn on our lines of credit, as well as an average of $6.2 million of commercial paper outstanding. During 1999, we had an average of $13.8 million drawn on our lines of credit and no commercial paper outstanding.

INVESTMENT INCOME: Investment income decreased $3.6 million to $4.5 million for 2000 as compared to $8.1 million for 1999. This was due to lower levels of investments in marketable securities and short-term investments (cash equivalents) during 2000. Our average investment level was $77.5 million during 2000 as compared to $161.7 million during 1999. We had higher levels of cash available for investment in 1999 due to proceeds from sales of businesses which occurred in December 1998. The acquisition of Designer Checks in February 2000 reduced cash available for investment during 2000.

PROVISION FOR INCOME TAXES: Our effective tax rate for continuing operations was 38.0% for 2000 compared to 36.7% for 1999. We anticipate a 2001 effective tax rate between 37.0% and 38.0%.

INCOME FROM CONTINUING OPERATIONS: Income from continuing operations decreased $34.8 million to $169.5 million for 2000 from $204.3 million for 1999. Our improved gross profit was more than offset by the impact of increased spending on e-commerce initiatives. Additionally, 1999 results included a $19.8 million gain from the sale of our collections business.

Year Ended December 31, 1999 Compared to the Year Ended December 31, 1998

REVENUE: Revenue decreased $309.9 million, or 18.5%, to $1,363.8 million for 1999 from $1,673.7 million for 1998. This decrease was primarily due to discontinuing production of direct mail products and the sale of the remaining businesses in the Direct Response and Deluxe Direct segments in 1998. With divested businesses excluded from both years, revenue decreased $46.0 million, or 3.6%, to $1,239.7 million for 1999 from $1,285.7 million for 1998. This decrease was primarily due to a 5.9% decrease in units due primarily to lost financial institution clients. The loss of business was due to competitive pricing which fell below our revenue and profitability per unit targets. This volume decrease was partially offset by a 2.4% increase in revenue per unit due to a focus on sales of higher priced products.

GROSS PROFIT: Gross profit decreased $136.1 million, or 14.4%, to $807.9 million for 1999 from $944.0 million for 1998. As a percentage of revenue, gross margin increased to 59.2% in 1999 from 56.4% in 1998. Excluding divested businesses from both years, gross profit decreased $1.7 million, or 0.2%, to $777.3 million for 1999 from $779.0 million for 1998. Gross margin excluding divested businesses in both years was 62.7% in 1999 and 60.6% in 1998. 1998 cost of goods sold for on-going businesses included restructuring charges of $8.3 million relating to the planned closure of four check printing plants. By comparison 1999 cost of goods sold for on-going businesses included the reversal of $2.9 million of restructuring reserves relating to the closing of check printing plants. The closing check printing plants experienced higher attrition rates than anticipated, resulting in lower severance payments than originally estimated. Also contributing to the improvement in gross margin were cost reductions realized from closing check printing plants, process improvements and the loss of lower margin financial institution clients.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE: SG&A expense decreased $176.4 million, or 25.7%, to $509.7 million for 1999 from $686.1 million for 1998. Excluding divested businesses in both years, SG&A expense decreased $26.1 million, or 5.1%, to $481.1 million for 1999 from $507.2 million for 1998. 1998 SG&A expense included $17.9 million of restructuring charges relating to our initiative to reduce SG&A expense and the planned closing of four additional check printing plants. By comparison, 1999 SG&A expense for on-going businesses included the reversal of $4.5 million of restructuring charges primarily related to changes made to our initiative to reduce SG&A expense as a result of a plan announced in April 1999 to reorganize Deluxe. Additionally, SG&A expense decreased due to consolidation efforts and reductions in the number of employees. Partially offsetting these decreases was increased marketing expense for products sold directly to consumers.

OTHER INCOME (EXPENSE): Other income increased $27.6 million to income of $23.9 million for 1999 from expense of $3.7 million for 1998. 1999 included a gain of $19.8 million on the sale of our collections business, while 1998 included a net loss of $4.9 million on the sales of the remaining businesses of the Direct Response and Deluxe Direct segments.

PROVISION FOR INCOME TAXES: Our effective tax rate for continuing operations decreased to 36.7% for 1999 from 40.1% for 1998 due primarily to decreased state tax expense.

INCOME FROM CONTINUING OPERATIONS: Income from continuing operations increased $50.7 million to $204.3 million for 1999 from $153.6 million for 1998. 1998 included restructuring charges and losses on sales of businesses of $41.2 million, while 1999 included net restructuring reversals and a gain on the sale of a business of $27.9 million. Additionally, our operating margin improved as a result of better performance from our on-going operations, as well as from the sales of the businesses within the Direct Response and Deluxe Direct segments.

Discontinued Operations

We reported losses from discontinued operations of $7.5 million in 2000, $1.3 million in 1999 and $10.5 million in 1998. These losses represent the results of the Company's eFunds segment, which was spun-off in December 2000. See Notes 3 and 16 to our consolidated financial statements for more information.

Pre-tax income from the operations of discontinued operations increased in 2000 due to revenue increases across product lines resulting from increased volumes. Additionally, the business took steps to improve its gross margin. Partially offsetting the revenue and gross margin improvements was increased SG&A expense due to additional promotional advertising geared toward creating brand awareness, and infrastructure investments.

Pre-tax income from the operations of discontinued operations increased in 1999 due to charges of $38.9 million recorded in 1998 primarily relating to asset impairments and losses on long-term service contracts of the government services business. Additionally, revenue increased from 1998 due to greater transaction processing and account verification inquiry volumes and price increases, the acquisition of the professional services business in April 1999 and the roll-out of additional states for the government services business. Partially offsetting these improvements over 1998 were costs incurred in conjunction with the development of new products and services, as well as costs resulting from the acquisition of the professional services business in April 1999.

Liquidity, Capital Resources and Financial Condition

As of December 31, 2000, we had cash and cash equivalents of $69.8 million, as well as marketable securities of $18.5 million. Our working capital was negative $96.4 million and positive $14.1 million on December 31, 2000 and 1999, respectively. The current ratio on December 31, 2000 and 1999 was 0.7 to 1 and 1.0 to 1, respectively. The decrease in working capital and the current ratio was primarily due to the fact that formerly long-term debt of $100.0 million was payable in February 2001. Thus, the debt was classified in current liabilities in our consolidated balance sheet as of December 31, 2000. This debt was paid in February 2001 with cash on hand.

The following table shows our cash flow activity for the past three years and should be read in conjunction with our consolidated statements of cash flows:

Year Ended December 31, (dollars in thousands)	2000	1999	1998
Continuing operations:			
Cash provided by operating activities	$ 253,572	$ 221,237	$ 265,130
Cash (used) provided by investing activities	(96,141)	72,637	(5,670)
Cash used by financing activities	(159,925)	(343,612)	(157,681)
Cash (used) provided by continuing operations	(2,494)	(49,738)	101,779
Cash (used) provided by discontinued operations	(32,360)	(97,981)	2,961
Net (decrease) increase in cash and cash equivalents	$ (34,854)	$(147,719)	$ 104,740

Cash provided by continuing operations was $253.6 million for 2000. Cash provided by operations represents our primary source of working capital and the source for financing capital expenditures and paying cash dividends.

We believe that cash provided by operations, as well as cash available from our current credit facilities and commercial paper program, is sufficient to sustain our existing operations, provide cash for share repurchases and fund possible acquisitions.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was $348.4 million for 2000. We also generated cash flows of $16.8 million by decreasing accounts receivable. Over the past two years, we have been able to increase the level of trade accounts receivable settled via Automated Clearing House (ACH) processing, resulting in quicker collection of receivables. We do not expect to see as large of a reduction in accounts receivable levels in 2001, as most of our customers which have the ability to settle via ACH processing now do so. Partially offsetting these cash inflows were income tax payments of $93.6 million and reductions in accounts payable and miscellaneous accruals. During 2000, we also generated $47.0 million of cash through sales of capital assets and the collection of a loan receivable. These cash inflows were used to purchase capital assets ($48.5 million), acquire Designer Checks ($96.0 million), pay cash dividends ($107.2 million) and pay-off short-term debt ($60.0 million). We anticipate that purchases of capital assets in 2001will approximate the 2000 amount.

We have agreed to indemnify eFunds for future losses arising from any litigation based on the conduct of its electronic benefits transfer and medical eligibility verification businesses prior to eFunds' initial public offering in June 2000, and from certain future losses on identified loss contracts. The maximum amount of litigation and contract losses for which we will indemnify eFunds is $14.6 million.

As of December 31, 2000, we had both committed and uncommitted bank lines of credit. These lines of credit could be withdrawn if we failed to comply with the covenants established in the credit agreements. Commitment fees on the committed lines of credit range from six and one-half to seven basis points.

Our committed lines of credit for $450.0 million were available for borrowing and as support for our $150.0 million commercial paper program. The average amount drawn on these lines during 2000 was $18.8 million at a weighted-average interest rate of 6.26%. As of December 31, 2000, no amounts were outstanding under these lines of credit. The average amount drawn on these lines during 1999 was $12.7 million at a weighted-average interest rate of 6.10%. As of December 31, 1999, $60.0 million was outstanding under these lines of credit at an interest rate of 6.39%. The average amount of commercial paper outstanding during 2000 was $6.2 million at a weighted-average interest rate of 6.56%. No commercial paper was issued during 1999. There was no outstanding commercial paper at December 31, 2000 or 1999. In March 2001, we increased the amount of our commercial paper program to $300.0 million.

Our uncommitted bank lines of credit for $35.0 million had variable interest rates. The average amount drawn on these lines during 2000 was $33,000 at a weighted-average interest rate of 6.38%. The average amount drawn on these lines during 1999 was $1.1 million at a weighted-average interest rate of 5.12%. As of December 31, 2000 and 1999 there was no outstanding balance under these lines of credit.

We have a shelf registration in place for the issuance of up to $300.0 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of outstanding indebtedness and other securities of Deluxe. As of December 31, 2000 and 1999, no such notes were issued or outstanding.

Recent Developments

On January 1, 2001, we adopted Statement of Financial Accounting Standard (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. We have reviewed the requirements of SFAS No. 133 and have determined that we currently have no free-standing or embedded derivatives. Application of this SFAS did not have a material impact on our reported operating results or financial position.

On December 31, 2000, we adopted Emerging Issues Task Force (EITF) Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs*. EITF No. 00-10 establishes the appropriate statement of income classification for amounts charged to customers for shipping and handling, as well as for costs incurred related to shipping and handling. Application of this guidance did not result in a material reclassification within our consolidated statements of income.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Application of this SAB did not have a material impact on our reported operating results or financial position.

In January 2001, we announced that our board of directors approved a stock repurchase program, authorizing the repurchase of up to 14 million shares of Deluxe common stock. Depending on market conditions, we anticipate completing these purchases over the next 12 to 18 months.

In February 2001, our $100.0 million unsecured and unsubordinated notes were due. We paid these notes utilizing cash on hand.

In March 2001, we increased the amount of our commercial paper program to $300.0 million.

Market Risk Disclosure

As of December 31, 2000, we had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of $18.5 million. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, we have the ability to hold these fixed income investments until maturity and therefore we would not expect to recognize an adverse impact on earnings or cash flows.

As of December 31, 2000, we had only fixed rate debt which was due on February 15, 2001. Thus, interest rate fluctuations would not impact interest expense or cash flows. If we were to undertake additional debt, interest rate changes would impact our earnings and cash flows.

Since the spin-off of eFunds in December 2000, we no longer operate internationally. Thus, we are no longer exposed to foreign exchange risk.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and related information are the responsibility of management. They have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts that are based on our best estimates and judgments under existing circumstances. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains internal accounting control systems that are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use. These systems produce records adequate for preparation of financial information. We believe the Company's systems are effective, and the costs of the systems do not exceed the benefits obtained.

The audit committee of the board of directors has reviewed the financial data included in this report. The audit committee is composed entirely of outside directors and meets periodically with the Company's internal auditors, management and the independent public accountants on financial reporting matters. The independent public accountants have free access to meet with the audit committee, without the presence of management, to discuss their audit results and opinions on the quality of financial reporting.

The role of the independent public accountants is to render an independent, professional opinion on management's consolidated financial statements to the extent required by auditing standards generally accepted in the United States of America.

Deluxe recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct.

Lawrence J. Mosner

Lawrence J. Mosner
Chairman of the Board of Directors
and Chief Executive Officer

Douglas J. Treff

Douglas J. Treff
Senior Vice President
and Chief Financial Officer

January 25, 2001

Five-year Summary

Year Ended December 31, (dollars in thousands, except per share amounts)	2000	1999	1998	1997	1996
STATEMENT OF INCOME DATA:					
Revenue	$1,262,712	$1,363,798	$1,673,715	$1,699,086	$1,785,266
Gross margin	64.3%	59.2%	56.4%	55.4%	52.0%
Selling, general and administrative expense as a percentage of revenue	42.3%	37.4%	41.0%	46.7%	41.2%
Depreciation and amortization expense	68,570	61,041	62,154	58,395	82,667
Operating income as a percentage of revenue	22.0%	21.9%	15.4%	8.6%	4.5%
Earnings before interest, taxes, depreciation and amortization	348,362	383,138	316,330	208,781	201,820
Income from continuing operations	169,472	204,321	153,566	69,034	62,042
Per share – basic	2.34	2.66	1.90	0.84	0.75
Per share – diluted	2.34	2.65	1.90	0.84	0.75
Net income	161,936	203,022	143,063	44,672	65,463
Per share – basic	2.24	2.65	1.77	0.55	0.80
Per share – diluted	2.24	2.64	1.77	0.55	0.79
Average common shares outstanding (thousands)	72,324	76,710	80,648	81,854	82,311
Return on average shareholders' equity	47.6%	39.7%	23.5%	6.8%	8.8%
Return on average assets	20.8%	20.5%	13.4%	4.1%	5.5%
Cash dividends per share	1.48	1.48	1.48	1.48	1.48
BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities	88,220	130,329	293,468	155,616	115,345
Working capital	(96,405)	14,083	177,385	131,058	108,148
Total assets	649,469	905,365	1,077,400	1,057,755	1,140,625
Long-term debt	10,201	111,945	102,291	105,415	106,196
Debt to capital ratio	25.5%	27.3%	14.6%	15.3%	15.1%
OTHER OPERATING DATA:					
Net cash provided by operating activities of continuing operations	253,572	221,237	265,130	261,481	–[1]
Purchases of capital assets	48,483	76,795	90,807	91,515	83,170
Number of employees – continuing operations[2]	7,800	8,900	13,260	16,910	17,610
Units (millions)[3] [4]	101.16	105.21	111.85	–[1]	–[1]
Number of production facilities[2] [3]	13	13	16	21	31
Number of teleservice facilities[2] [3]	7	6	10	20	31

[1] Information is not available.

[2] Information reflects data as of the end of the year.

[3] Information reflects only the on-going operations of the Company. Divested businesses have been excluded from these figures.

[4] Units represents an equivalent measure used across all product lines to measure sales volume.

Consolidated Balance Sheets

December 31, (dollars in thousands)	2000	1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 69,762	$104,616
Marketable securities	18,458	25,713
Trade accounts receivable-net	46,332	62,940
Inventories	10,560	11,586
Supplies	12,578	15,007
Deferred advertising	17,089	17,189
Deferred income taxes	6,877	3,654
Prepaid expenses and other current assets	27,112	72,169
Net current assets of discontinued operations	–	20,646
Total current assets	208,768	333,520
LONG-TERM INVESTMENTS	43,947	39,519
PROPERTY, PLANT, AND EQUIPMENT – NET	173,956	219,484
INTANGIBLES – NET	222,798	138,525
NET NON-CURRENT ASSETS OF DISCONTINUED OPERATIONS	–	174,317
Total assets	$649,469	$905,365
CURRENT LIABILITIES:		
Accounts payable	$ 32,191	$ 41,085
Accrued liabilities:		
Wages, including vacation pay	36,191	45,753
Employee profit sharing and pension	21,872	25,582
Accrued income taxes	27,065	28,405
Accrued rebates	24,968	28,281
Other	62,214	87,869
Short-term debt	–	60,000
Long-term debt due within one year	100,672	2,462
Total current liabilities	305,173	319,437
LONG-TERM DEBT	10,201	111,945
DEFERRED INCOME TAXES	60,712	47,870
OTHER LONG-TERM LIABILITIES	10,575	8,805
COMMITMENTS AND CONTINGENCIES (Notes 12 and 16)		
SHAREHOLDERS' EQUITY:		
Common shares $1 par value (authorized: 500,000,000 shares; issued: 2000 - 72,555,474; 1999 - 72,019,898)	72,555	72,020
Additional paid-in capital	44,243	–
Retained earnings	146,243	346,617
Unearned compensation	(60)	(47)
Accumulated other comprehensive income	(173)	(1,282)
Total shareholders' equity	262,808	417,308
Total liabilities and shareholders' equity	$649,469	$905,365

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

Year Ended December 31, (dollars in thousands)	2000	1999	1998
REVENUE	$1,262,712	$1,363,798	$1,673,715
Cost of goods sold	451,257	555,912	729,739
GROSS PROFIT	811,455	807,886	943,976
Selling, general and administrative expense	534,145	509,652	686,082
	277,310	298,234	257,894
Other income (expense)	2,482	23,863	(3,718)
INCOME FROM CONTINUING OPERATIONS BEFORE INTEREST AND TAXES	279,792	322,097	254,176
Interest expense	(10,837)	(7,620)	(8,040)
Investment income	4,474	8,105	10,169
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	273,429	322,582	256,305
Provision for income taxes	103,957	118,261	102,739
INCOME FROM CONTINUING OPERATIONS	169,472	204,321	153,566
DISCONTINUED OPERATIONS:			
Income (loss) from operations (net of income tax expense (benefit) of $5,173, $3,372, and ($2,887), respectively)	5,229	(1,299)	(10,503)
Costs of spin-off (net of income tax benefit of $4,021)	(12,765)	–	–
LOSS FROM DISCONTINUED OPERATIONS	(7,536)	(1,299)	(10,503)
NET INCOME	$ 161,936	$ 203,022	$ 143,063
BASIC NET INCOME PER SHARE:			
Income from continuing operations	$ 2.34	$ 2.66	$ 1.90
Loss from discontinued operations	(0.10)	(0.01)	(0.13)
BASIC NET INCOME PER SHARE	$ 2.24	$ 2.65	$ 1.77
DILUTED NET INCOME PER SHARE:			
Income from continuing operations	$ 2.34	$ 2.65	$ 1.90
Loss from discontinued operations	(0.10)	(0.01)	(0.13)
DILUTED NET INCOME PER SHARE	$ 2.24	$ 2.64	$ 1.77
CASH DIVIDENDS PER SHARE	$ 1.48	$ 1.48	$ 1.48

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Year Ended December 31, (dollars in thousands)	2000	1999	1998
NET INCOME	$161,936	$203,022	$143,063
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:			
Foreign currency translation adjustments	867	(555)	177
Unrealized gains on securities:			
Unrealized holding gains arising during the year	728	4	116
Less reclassification adjustments for gains included in net income	(486)	(489)	(46)
Other comprehensive income (loss)	1,109	(1,040)	247
COMPREHENSIVE INCOME	$163,045	$201,982	$143,310
RELATED TAX BENEFIT (EXPENSE) OF OTHER COMPREHENSIVE INCOME (LOSS):			
Foreign currency translation adjustments	$ 132	$ 333	$ (124)
Unrealized gains on securities:			
Unrealized holding gains arising during the year	(392)	(2)	(61)
Less reclassification adjustments for gains included in net income	262	263	24

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Year Ended December 31, (dollars in thousands)	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 161,936	$ 203,022	$ 143,063
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Loss from discontinued operations	7,536	1,299	10,503
Depreciation	33,375	41,786	46,916
Amortization of intangibles	35,195	19,255	15,238
Asset impairment charges	9,740	–	–
Share purchase discount	1,772	4,056	5,235
Net (gain) loss on sales of businesses	–	(19,770)	4,850
Deferred income taxes	9,490	54,948	18,675
Changes in assets and liabilities, net of effects from acquisitions, sales of businesses and discontinued operations:			
Trade accounts receivable	16,752	20,185	1,388
Inventories	2,079	385	3,568
Accounts payable	(10,601)	(657)	563
Accrued wages, employee profit sharing and pension	(5,866)	(17,602)	3,669
Restructuring accruals	(11,834)	(32,596)	9,256
Other assets and liabilities	3,998	(53,074)	2,206
Net cash provided by operating activities of continuing operations	253,572	221,237	265,130
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities	47,627	32,775	19,199
Purchases of marketable securities	(40,000)	(17,915)	(52,411)
Purchases of capital assets	(48,483)	(76,795)	(90,807)
Payments for acquisitions, net of cash acquired	(95,991)	–	–
Net proceeds from sales of businesses, net of cash sold	–	99,475	89,416
Proceeds from sales of capital assets	14,469	65,663	28,448
Loans to others	32,500	(32,500)	–
Other	(6,263)	1,934	485
Net cash (used) provided by investing activities of continuing operations	(96,141)	72,637	(5,670)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (payments) borrowings on short-term debt	(60,000)	60,000	–
Payments on long-term debt	(794)	(5,793)	(4,525)
Payments to retire shares	–	(313,492)	(59,704)
Proceeds from issuing shares under employee plans	8,064	29,208	26,230
Cash dividends paid to shareholders	(107,195)	(113,535)	(119,682)
Net cash used by financing activities of continuing operations	(159,925)	(343,612)	(157,681)
NET CASH (USED) PROVIDED BY DISCONTINUED OPERATIONS	(32,360)	(97,981)	2,961
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,854)	(147,719)	104,740
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	104,616	252,335	147,595
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 69,762	$ 104,616	$ 252,335
SUPPLEMENTAL INFORMATION – CONTINUING OPERATIONS:			
Interest paid	$ 12,169	$ 8,329	$ 7,345
Income taxes paid	$ 93,593	$ 62,793	$ 82,276

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1

Significant accounting policies

CONSOLIDATION: The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries. All significant intercompany accounts, transactions and profits have been eliminated.

CASH AND CASH EQUIVALENTS: The Company considers all cash on hand, money market funds and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value.

MARKETABLE SECURITIES: Marketable securities consist of debt and equity securities. They are classified as available for sale and are carried at fair value, based on quoted market prices. Unrealized gains and losses, net of tax, are reported in other accumulated comprehensive income in the shareholders' equity section of the consolidated balance sheets. Realized gains and losses and permanent declines in value are included in investment income in the consolidated statements of income. The cost of securities sold is determined using the specific identification method.

ACCOUNTS RECEIVABLE: Accounts receivable are stated net of allowances for uncollectible accounts of $1.4 million and $1.3 million at December 31, 2000 and 1999, respectively. The Company records allowances for uncollectible accounts when it is probable that the full amount of its accounts receivable balance will not be collected and when this uncollectible amount can be reasonably estimated. Increases in the allowances for uncollectible accounts are recorded as bad debt expense and are reflected in selling, general and administrative expense in the Company's consolidated statements of income. Bad debt expense for continuing operations was $3.8 million in 2000, $3.1 million in 1999 and $1.4 million in 1998. Bad debt expense reflected in discontinued operations was $3.3 million, $2.9 million and $1.1 million in 2000, 1999 and 1998, respectively. As of December 31, 2000 and 1999, no one customer accounted for 10% or more of total receivables.

INVENTORIES: Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for substantially all inventories. LIFO inventories were approximately $2.7 million and $6.3 million less than replacement cost at December 31, 2000 and 1999, respectively. Inventories were comprised of the following at December 31:

(dollars in thousands)	2000	1999
Raw materials	$ 2,879	$ 3,110
Semi-finished goods	6,504	7,245
Finished goods	1,177	1,231
Total	$10,560	$11,586

During 2000, inventory quantities were reduced, which resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in prior years. The effect of this liquidation was to decrease cost of goods sold by $2.4 million and to increase income from continuing operations by $1.5 million, or $0.02 per share diluted. There were no significant liquidations of LIFO inventories in 1999 or 1998.

SUPPLIES: These costs consist of items not used directly in the production of goods, such as maintenance and packaging supplies. Such costs are deferred and charged to expense when used.

DEFERRED ADVERTISING: These costs consist of materials, production, postage and design expenditures required to produce newspaper and magazine inserts, direct mail advertisements and catalogs for products sold directly to consumers. Such costs are amortized over periods (averaging 18 months) that correspond to the estimated revenue streams of the individual advertisements. The actual timing of these revenue streams may differ from these estimates. Sales materials are charged to expense when no longer owned or expected to be used. Costs of nondirect response advertising are expensed as incurred. The total amount of advertising expense for continuing operations was $67.6 million in 2000, $49.8 million in 1999 and $99.7 million in 1998. Total advertising expense for discontinued operations was $9.9 million, $0.7 million and $0.4 million in 2000, 1999 and 1998, respectively.

LONG-TERM INVESTMENTS: At December 31, 2000 and 1999, long-term investments consist principally of cash surrender values of insurance contracts, notes receivable and other investments. Such investments are carried at cost or amortized cost which approximates their fair values.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment, including leasehold and other improvements that extend an asset's useful life or productive capabilities, are stated at historical cost. Buildings with 40-year lives and machinery and equipment with lives of three to 11 years are generally depreciated using accelerated methods. Leasehold and building improvements are depreciated on a straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter. Property, plant and equipment was comprised of the following at December 31:

(dollars in thousands)	2000	1999
Land and land improvements	$ 32,739	$ 36,165
Buildings and building improvements	113,848	131,344
Machinery and equipment	323,181	353,405
Total	469,768	520,914
Accumulated depreciation	(295,812)	(301,430)
Property, plant and equipment-net	$ 173,956	$ 219,484

INTANGIBLES: Intangible assets are stated at historical cost. Amortization expense is generally determined on the straight-line basis over periods of 15 to 30 years for cost in excess of net assets acquired (goodwill) and one to 10 years for internal-use software and other intangibles. Other intangibles consist primarily of a customer database obtained upon the acquisition of Designer Checks in February 2000 (see Note 6). The Company continually re-evaluates the original assumptions and rationale utilized in the establishment of the estimated lives of its identifiable intangible assets and goodwill. The carrying values of its intangible assets are evaluated for impairment in accordance with the Company's policy on impairment of long-lived assets and intangibles.

Intangibles were comprised of the following at December 31:

(dollars in thousands)	2000	1999
Cost in excess of net assets acquired	$ 96,826	$ 8,000
Internal-use software	195,515	172,000
Other intangible assets	5,812	451
Total	298,153	180,451
Accumulated amortization	(75,355)	(41,926)
Intangibles-net	$222,798	$138,525

CAPITALIZATION OF INTERNAL-USE SOFTWARE: The Company capitalizes costs of software developed or obtained for internal use once the preliminary project stage has been completed, management commits to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalized costs include only (1) external direct costs of materials and services consumed in developing or obtaining internal-use software, (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use software project, and (3) interest costs incurred, when material, while developing internal-use software. Capitalization of costs ceases when the project is substantially complete and ready for its intended use. The carrying value of internal-use software is reviewed in accordance with the Company's policy on impairment of long-lived assets and intangibles.

WEB SITE DEVELOPMENT COSTS: The Company capitalizes costs associated with the development of web sites in accordance with its policy on capitalization of internal-use software. Costs incurred in populating the site with information about the Company or products available to customers are expensed as incurred.

IMPAIRMENT OF LONG-LIVED ASSETS AND INTANGIBLES: The Company periodically evaluates the recoverability of property, plant, equipment and identifiable intangibles not held for sale by measuring the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. When the asset being evaluated was acquired in a purchase business combination in which goodwill was recorded, a pro rata portion of the goodwill value is included in the carrying amount of the asset. This pro rata portion of goodwill is based on the relative fair values at the date of acquisition of the long-lived assets and identifiable intangibles acquired. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The pro rata portion of any goodwill allocated to the asset would be eliminated before recording any reduction of the original carrying amount of the asset.

The Company periodically evaluates the recoverability of property, plant, equipment and identifiable intangibles held for sale by comparing the asset's carrying amount with its fair value less costs to sell. If a large segment or separable group of assets which were acquired in a purchase business combination are held for sale, all of the unamortized goodwill associated with those assets is included in the carrying amount of the assets for purposes of this evaluation. Should the fair value less costs to sell be less than the carrying value of the long-lived asset(s), an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset(s) exceeds the fair value of the asset(s) less costs to sell. The unamortized goodwill associated with those assets would be eliminated before recording any reduction in the original carrying value of the asset(s).

The Company evaluates the carrying value of goodwill at an enterprise level when events or changes in circumstances at the businesses to which the goodwill relates indicate that the carrying amount may not be recoverable. Such circumstances could include, but are not limited to, (1) a current period operating or cash flow loss combined with a history of operating or cash flow losses, (2) a forecast that demonstrates continuing losses, (3) a significant adverse change in legal factors or in business climate, or (4) an adverse action or assessment by a regulator. In evaluating the recoverability of enterprise goodwill, the Company measures the carrying amount of the goodwill against the estimated undiscounted future net cash flows of the businesses to which the goodwill relates. In determining the future net cash flows, the Company looks to historical results and current forecasts. The estimated net cash flows include the effects of income tax payments and interest charges. Should the sum of the expected future net cash flows be less than the carrying value of the goodwill, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the net book value of the related businesses exceeds the fair value of these businesses.

INCOME TAXES: Deferred income taxes result from temporary differences between the financial reporting basis of assets and liabilities and their respective tax reporting bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

REVENUE RECOGNITION: The Company records revenue for the majority of its operations as products are shipped or as services are performed. When products are shipped, title to the goods passes to the customer and the customer assumes the risks and rewards of ownership. Revenue includes amounts billed to customers for shipping and handling. Costs incurred by the Company for shipping and handling are reflected in cost of goods sold.

SALES INCENTIVES: The Company enters into contractual agreements with its customers for rebates on certain products it sells. The Company records these amounts as reductions of revenue and records a liability reflected as accrued rebates on the Company's consolidated balance sheets. As these rebate amounts are determined when the contract is entered into, these revenue reductions are recorded at the time the related revenue is recorded.

The Company also does, at times, sell its products at discounted prices, issue coupons and provide free products to customers when they purchase a specified product. The discount and coupon amounts are recorded as reductions of revenue at the time the related revenue is recorded. The cost of free products is recorded as cost of goods sold when the revenue for the related purchase is recorded.

EMPLOYEE STOCK-BASED COMPENSATION: As permitted by Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, the Company continues to account for its employee stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, no compensation cost has been recognized for fixed stock options issued under the Company's stock incentive plan. The Company discloses pro forma net income and net income per share as if the fair value method of SFAS No. 123 had been used (see Note 10).

COMPREHENSIVE INCOME: Comprehensive income includes charges and credits to shareholders' equity that are not the result of transactions with shareholders. The Company's total comprehensive income consists of net income, foreign currency translation adjustments and unrealized gains and losses on securities. The foreign currency translation adjustments and unrealized gains and losses on securities are reflected as accumulated other comprehensive income in the Company's consolidated balance sheets and in the Company's shareholders' equity statement presented in Note 14.

RECLASSIFICATIONS: Other than the reclassifications to reflect the results of the eFunds segment as discontinued operations (see Note 3), certain other amounts reported in 1999 and 1998 have been reclassified to conform with the 2000 presentation. These changes had no impact on previously reported net income or shareholders' equity.

USE OF ESTIMATES: The Company has prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. In this process, it is necessary for management to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and attached notes. These estimates and assumptions are developed based upon all information available using management's best efforts. However, actual results can differ from assumed and estimated amounts.

NEW ACCOUNTING PRONOUNCEMENTS: On January 1, 2001, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. The Company has reviewed the requirements of SFAS No. 133 and has determined that it currently has no free-standing or embedded derivatives. Application of this standard did not have a material impact on the Company's reported operating results or financial position.

On December 31, 2000, the Company adopted Emerging Issues Task Force (EITF) Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs*. EITF No. 00-10 establishes the appropriate statement of income classification for amounts charged to customers for shipping and handling, as well as for costs incurred related to shipping and handling. Application of this guidance did not result in a material reclassification within the Company's consolidated statements of income.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Application of this SAB did not have a material impact on the Company's reported operating results or financial position.

Note 2

Earnings per share

The following table reflects the calculation of basic and diluted earnings per share from continuing operations.

Year Ended December 31, (dollars and shares in thousands, except per share amounts)	2000	1999	1998
Income from continuing operations per share – basic:			
Income from continuing operations	$169,472	$204,321	$153,566
Weighted average shares outstanding	72,324	76,710	80,648
Income from continuing operations per share – basic	$ 2.34	$ 2.66	$ 1.90
Income from continuing operations per share – diluted:			
Income from continuing operations	$169,472	$204,321	$153,566
Weighted average shares outstanding	72,324	76,710	80,648
Dilutive impact of options	87	273	179
Shares contingently issuable	9	26	28
Weighted average shares and potential dilutive shares outstanding	72,420	77,009	80,855
Income from continuing operations per share – diluted	$ 2.34	$ 2.65	$ 1.90

During 2000, 1999, and 1998, options to purchase a weighted-average number of shares of 5.4 million, 2.0 million and 0.7 million, respectively, were outstanding but were not included in the computation of diluted earnings per share. The exercise prices of the excluded options were greater than the average market price of the Company's common shares during the respective periods.

Note 3

Discontinued operations

In January 2000, the Company announced that its board of directors approved a plan to combine its electronic payments, professional services and government services businesses into an independent, publicly-traded company to be called eFunds Corporation (eFunds). The Company contributed ownership of various subsidiaries and certain assets and liabilities to eFunds on March 31, 2000. In June 2000, eFunds sold 5.5 million shares of its common stock to the public. On December 29, 2000, the Company distributed its 40 million shares of eFunds stock, representing 87.9% of eFunds' total outstanding shares, to all Company shareholders of record on December 11, 2000. Each shareholder received .5514 eFunds share for each Deluxe share owned. Cash was issued in lieu of fractional shares. The net assets distributed to shareholders of $254.0 million was reflected as a reduction of retained earnings. The Company received confirmation from the Internal Revenue Service that the spin-off transaction would be tax-free to the Company and to its shareholders for U.S. federal income tax purposes, except to the extent that cash was received in lieu of fractional shares. The results of eFunds are reflected as discontinued operations in the Company's consolidated financial statements for all periods presented. See Note 16 for additional discontinued operations disclosures not included elsewhere in these notes to consolidated financial statements.

Note 4

Restructuring charges

During 2000, the Company recorded restructuring charges of $2.0 million within continuing operations. During the second quarter of 2000, the Company announced its plan to outsource certain data entry functions to the Company's discontinued operations. This outsourcing effort affected approximately 155 employees. In the fourth quarter of 2000, the Company announced that it would be scaling back its PlaidMoon.com project (see Note 5). This decision is expected to result in the termination of approximately 40 employees. Additionally, the Company reversed $4.3 million of restructuring charges primarily relating to the Company's initiative to reduce selling, general and administrative

(SG&A) expense. This was due to higher attrition than anticipated and the reversal of "early termination" payments to a group of employees. Under the Company's severance program, employees are provided 60 days notice prior to being terminated. In certain situations, the Company asks the employees to leave immediately because they may have access to crucial infrastructure or information. In these cases, severance includes this additional amount. In certain situations, management subsequently decided to keep employees working for the 60-day period and thus, a reduction in the restructuring reserves was required since this pay was no longer severance, but an operating expense. These new restructuring charges and reversals are reflected in the Company's 2000 consolidated statement of income as a reduction in SG&A expense of $2.4 million and a decrease in other income of $0.1 million.

During 1999, restructuring accruals of $9.8 million were reversed within continuing operations. The majority of this amount related to the Company's initiatives to reduce SG&A expense and to discontinue production of direct mail products. The excess accrual amount occurred when the Company determined that it was able to use a greater portion of the direct mail production assets in its ongoing operations than was originally anticipated, as well as changes in the SG&A expense reduction initiative due to the 1999 reorganization of the Company into four independently operated business units. The remainder of the accrual reversal related to the Company's planned reductions within its Paper Payment Systems segment. Closing check printing plants experienced higher attrition rates than anticipated, resulting in lower severance payments than originally estimated. Also during 1999, the Company recorded restructuring accruals of $0.8 million for employee severance and $0.8 million for estimated losses on asset dispositions related to the planned closing of one collections office and planned employee reductions in another collections office within the Company's collection business which was sold in 1999 (see Note 6). These accrual reversals and the new restructuring accruals are reflected in the 1999 consolidated statement of income as a reduction in cost of goods sold of $2.0 million, a reduction in SG&A expense of $3.9 million and other income of $2.3 million.

During 1998, the Company recorded restructuring charges of $36.3 million within continuing operations. These charges included costs associated with the Company's initiative to reduce SG&A expense, discontinuing production of the Direct Response segment's direct mail products and closing four additional check printing plants. The charges anticipated the elimination of 725 SG&A positions within sales, marketing, finance, human resources and information services. Discontinuing production of direct mail products was expected to result in the elimination of 60 positions. The Company also planned to close four additional check printing plants, affecting approximately 870 employees. The restructuring charges consisted of employee severance costs of $28.0 million and $8.3 million for expected losses on the disposition of assets. Expenses of $10.9 million were included in cost of goods sold, $17.9 million was included in SG&A expense and $7.5 million was included in other expense in the Company's 1998 consolidated statement of income. As of the end of 1999, three of the four check printing plants were closed, with the remaining plant closed in the first quarter of 2000. The majority of the reductions in SG&A positions were completed in 2000.

The Company's consolidated balance sheets reflect restructuring accruals for continuing operations of $3.1 million and $13.9 million as of December 31, 2000 and 1999, respectively, for employee severance costs. Additionally, the Company had restructuring accruals for estimated losses on asset dispositions of $1.1 million as of December 31, 1999.

The status of the severance portion of the Company's restructuring accruals for continuing operations as of December 31, 2000 was as follows:

(dollars in millions)	Check Printing Plant Closings/Other[1] Amount	No. of employees affected	SG&A Reductions & Direct Mail Production[2] Amount	No. of employees affected	Other[3] Amount	No. of employees affected	Total Amount	No. of employees affected
Balance, January 1, 1998	$ 34.9	2,260	$ –	–	$ –	–	$ 34.9	2,260
Restructuring charges	10.0	870	18.0	785	–	–	28.0	1,655
Severance paid	(21.9)	(940)	–	–	–	–	(21.9)	(940)
Balance, December 31, 1998	23.0	2,190	18.0	785	–	–	41.0	2,975
Restructuring charges	–	–	–	–	0.8	70	0.8	70
Restructuring reversals	(2.9)	(375)	(5.1)	(230)	–	–	(8.0)	(605)
Sale of business	–	–	–	–	(0.1)	–	(0.1)	–
Severance paid	(13.6)	(1,375)	(5.5)	(275)	(0.7)	(70)	(19.8)	(1,720)
Balance, December 31, 1999	6.5	440	7.4	280	–	–	13.9	720
Restructuring charges	–	–	0.1	5	1.8	195	1.9	200
Restructuring reversals	(0.6)	(70)	(3.5)	(125)	(0.2)	(60)	(4.3)	(255)
Severance paid	(5.1)	(300)	(2.5)	(120)	(0.8)	(100)	(8.4)	(520)
Balance, December 31, 2000	$ 0.8	70	$ 1.5	40	$ 0.8	35	$ 3.1	145

[1] Includes charges recorded in 1996 and 1998 for plans to close check printing plants and charges recorded in 1996 and 1997 for reductions in corporate support functions, implementation of a new order processing and customer service system and implementation of process improvements in the post-press phase of check production. As of December 31, 2000, all accruals recorded in 1996 and 1997 had been fully utilized.

[2] Includes charges recorded in 1998 for the Company's initiatives to reduce SG&A expense and to discontinue production of direct mail products.

[3] Includes charges recorded in 1999 for a collection center closing and reductions, and charges recorded in 2000 for the outsourcing of certain data entry functions and the scaling-back of PlaidMoon.

The status of the estimated loss on asset dispositions portion of the Company's continuing operations restructuring accruals as of December 31, 2000 was as follows:

(dollars in millions)	Check Printing Plant Closings[1]	Discontinuance of Direct Mail Production	Collection Center Closing/ Reductions	Total
Balance, January 1, 1998	$ 3.7	$ –	$ –	$ 3.7
Restructuring charges	3.1	5.2	–	8.3
Losses realized	(1.9)	(3.3)	–	(5.2)
Balance, December 31, 1998	4.9	1.9	–	6.8
Restructuring charges	–	–	0.8	0.8
Restructuring reversals	–	(1.8)	–	(1.8)
Sale of business	–	–	(0.2)	(0.2)
Losses realized	(3.8)	(0.1)	(0.6)	(4.5)
Balance, December 31, 1999	1.1	–	–	1.1
Restructuring charges	0.1	–	–	0.1
Losses realized	(1.2)	–	–	(1.2)
Balance, December 31, 2000	$ –	$ –	$ –	$ –

[1] Includes charges recorded in 1996 for the plan to close 21 check printing plants.

Note 5

Impairment losses

During 2000, the Company recorded impairment charges of $9.7 million related to a discontinued e-commerce initiative. Earlier in 2000, the Company announced an e-commerce growth strategy. One outcome of this strategy was PlaidMoon.com, an Internet-based business concept that allowed consumers to design and purchase personalized items. In October 2000, the Company announced that it was scaling back and repositioning the PlaidMoon.com business concept. Instead of being a stand-alone business as had been planned, PlaidMoon.com will be folded into the rest of the business. As a result of this decision, the Company completed an evaluation to determine to what extent the long-lived assets of the business could be utilized by its other businesses or with external alliance partners. This evaluation resulted in the impairment charges of $9.7 million. The impaired assets consisted of internal-use software developed for use by the PlaidMoon.com web site. The estimated fair value of the software was determined by calculating the present value of net cash flows expected to be generated by the Company's alternative uses of these assets. These impairment charges are reflected in SG&A expense in the Company's 2000 consolidated statement of income.

Note 6

Business combinations and divestitures

2000 ACQUISITION: During February 2000, the Company acquired all of the outstanding shares of Designer Checks, Inc. for $96.0 million, net of cash acquired. Designer Checks produces specialty design checks and related products for direct sale to consumers. This acquisition was accounted for under the purchase method of accounting. The consolidated financial statements of the Company include the results of this business subsequent to its acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Total cost in excess of net assets acquired in the amount of $88.8 million is being amortized over 15 years.

1999 DIVESTITURES: During 1999, the Company sold substantially all of the assets of NRC Holding Corporation and all of the outstanding stock of United Creditors Alliance International Limited, the Company's collections businesses. The cash proceeds, net of cash sold, from the sales of these businesses was $74.4 million. The 1999 consolidated statement of income reflects a net gain of $19.8 million on these sales. The consolidated financial statements of the Company include the results of these businesses through their sale dates. These businesses contributed revenue of $124.1 million and $121.3 million in 1999 and 1998, respectively.

1998 DIVESTITURES: During 1998, the Company sold substantially all of the assets of PaperDirect (UK) Limited, ESP Employment Screening Partners, Inc., Social Expressions, and the remaining businesses within the Direct Response segment. The Company also sold all of the outstanding stock of PaperDirect, Inc. The aggregate net sales price for these businesses was $113.7 million, consisting of cash proceeds of $87.9 million and notes receivable of $25.8 million. The Company realized a loss of $10.5 million on the combined sale of PaperDirect and Social Expressions. The individual gains and losses recognized on the sales of the other businesses did not have a material impact on the results of the Company. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates. The notes receivable from the sales of these businesses were collected in full by the end of 1999.

The following summarized, unaudited pro forma results of operations for 1998 assumes the divestitures occurred as of the beginning of the period. No assumptions were made in the pro forma information concerning the use of the cash received in consideration for the sales of the businesses.

(dollars in thousands, except per share amounts)	1998
Revenue	$1,423,919
Cost of goods sold	609,056
Selling, general and administrative expense	552,129
Other income, interest expense and investment income	7,887
Provision for income taxes	107,750
Income from continuing operations	$ 162,871
Income from continuing operations per share – basic	$ 2.02
Income from continuing operations per share – diluted	$ 2.01

Note 7

Sale-leaseback transaction

During 1999, the Company entered into a $42.5 million sale-leaseback transaction whereby the Company sold five facilities in Shoreview, Minnesota and entered into leases for three of these facilities for periods ranging from five to 10 years. Of the related leases, two are being accounted for as operating leases and one is a capital lease. The result of this sale was a $17.1 million gain, of which $10.6 million was deferred and is being amortized over the lease terms in the case of the operating leases and over the life of the capital asset in the case of the capital lease. $6.7 million and $8.7 million of the deferred gain is reflected in other long-term liabilities in the December 31, 2000 and 1999 consolidated balance sheets, respectively. The Company provided short-term financing for $32.5 million of the proceeds from this sale. This amount is reflected in prepaid expenses and other current assets in the December 31, 1999 consolidated balance sheet and is reflected as loans to others in the 2000 and 1999 consolidated statements of cash flows. The loan was paid in full in January 2000.

Note 8

Marketable securities

On December 31, 2000 and 1999, investments classified as available for sale consisted of the following:

December 31, 2000

(dollars in thousands)	Cost	Unrealized holding loss	Fair value
Debt securities issued by the U.S. Treasury and other government agencies	$18,724	$(266)	$18,458
Other debt securities (cash equivalents)	76,483	–	76,483
Total	$95,207	$(266)	$94,941

December 31, 1999

(dollars in thousands)	Cost	Unrealized holding loss	Fair value
Debt securities issued by the U.S. Treasury and other government agencies	$ 24,352	$(636)	$ 23,716
Debt securities issued by states of the U.S. and political subdivisions of states	2,000	(3)	1,997
Total marketable securities	26,352	(639)	25,713
Other debt securities (cash equivalents)	124,110	–	124,110
Total	$150,462	$(639)	$149,823

At December 31, 2000, debt securities maturing in 2001 have a cost basis of $84.5 million and a fair value of $84.4 million. Debt securities maturing in 2002 have a cost basis of $10.7 million and a fair value of $10.5 million.

Proceeds from sales of marketable securities available for sale were $47.6 million, $32.8 million and $19.2 million in 2000, 1999 and 1998, respectively. The Company realized net gains of $0.7 million, $0.8 million and $0.1 million on the sales of marketable securities in 2000, 1999 and 1998, respectively.

Note 9

Provision for income taxes

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

(dollars in thousands)	2000	1999	1998
Current tax provision:			
Federal	$ 90,533	$ 61,268	$ 71,396
State	8,320	10,710	21,882
Total	98,853	71,978	93,278
Deferred tax provision:			
Federal	2,870	42,797	9,409
State	2,234	3,486	52
Total	$103,957	$118,261	$102,739

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

(dollars in thousands)	2000	1999	1998
Income tax at federal statutory rate	$ 95,700	$112,904	$ 89,707
State income taxes net of federal income tax benefit	6,860	9,227	14,257
Other	1,397	(3,870)	(1,225)
Provision for income taxes	$103,957	$118,261	$102,739

Tax effected temporary differences which give rise to a significant portion of deferred tax assets and liabilities at December 31, 2000 and 1999 are as follows:

(dollars in thousands)	2000		1999	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Capital assets	$ –	$ 75,720	$ –	$55,241
Capital loss carryforwards	9,249	–	7,400	–
Deferred advertising	–	4,111	–	4,747
Employee benefit plans	13,488	–	10,669	–
Inventory	1,294	–	1,062	–
Restructuring accruals	1,174	–	5,648	–
Miscellaneous reserves and accruals	9,674	–	9,062	–
Prepaid services	–	14,402	–	16,389
All other	18,341	12,822	12,267	13,947
Total deferred taxes	$53,220	$107,055	$46,108	$90,324

At December 31, 2000, the Company had capital loss carryforwards of $25.0 million which expire in 2003.

Note 10

Employee benefit and stock-based compensation plans

STOCK PURCHASE PLAN: The Company has an employee stock purchase plan that enables eligible employees to purchase the Company's common stock at 75% of its fair market value on the first business day following each three-month purchase period. Compensation expense recognized in continuing operations for the difference between the employees' purchase price and the fair value of the stock was $1.8 million, $4.1 million and $5.2 million in 2000, 1999 and 1998, respectively. Related compensation expense recognized in discontinued operations was $0.9 million, $0.7 million and $0.7 million in 2000, 1999 and 1998, respectively. Under the plan, 434,337, 568,107 and 698,830 shares were issued at prices ranging from $16.83 to $20.58, $20.95 to $27.57 and $24.38 to $26.16 in 2000, 1999 and 1998, respectively.

STOCK INCENTIVE PLAN: Under the Company's stock incentive plan, stock-based awards may be issued to employees via a broad range of methods, including non-qualified or incentive stock options, restricted stock and restricted stock units, stock appreciation rights and other awards based on the value of the Company's common stock. Options become exercisable in varying amounts beginning generally one year after the date of grant. The plan was amended in 1996 to reserve an aggregate of seven million shares of common stock for issuance under the plan. Awards for 5.4 million of these shares were granted prior to the termination of the plan on December 31, 2000. The Company's 2000 stock incentive plan, which is effective January 1, 2001, was approved by shareholders in August 2000. Three million shares of common stock were reserved for issuance under this plan.

In 1998, the Company adopted the DeluxeSHARES program. Under this program, options were awarded to substantially all employees of the Company (excluding foreign employees and employees of businesses held for sale), allowing them, subject to certain conditions, to purchase 100 shares of common stock at a converted exercise price of $25.20 per share. The options became exercisable on January 30, 2001. Options for the purchase of 1.7 million shares of common stock were issued under this program.

All options allow for the purchase of shares of common stock at prices equal to their market value at the date of grant. Information regarding the options issued under the current plan, which was adopted in 1994, the remaining options outstanding under the former plan adopted in 1984, and the DeluxeSHARES plan, is as follows:

	Number of shares	Weighted-average exercise price
Outstanding at January 1, 1998	2,503,352	$33.04
Granted	3,085,800	33.18
Exercised	(277,848)	29.76
Canceled	(689,042)	34.60
Outstanding at December 31, 1998	4,622,262	33.10
Granted	1,231,053	35.72
Exercised	(481,340)	30.62
Canceled	(835,418)	35.41
Outstanding at December 31, 1999	4,536,557	33.65
Granted	1,215,823	25.36
Canceled	(384,932)	33.84
Outstanding at December 31, 2000	5,367,448	24.33

Options for the purchase of 3,271,030 shares were exercisable at December 31, 2000, 1,905,060 were exercisable at December 31, 1999 and 1,641,298 were exercisable at December 31, 1998.

In connection with the spin-off of eFunds (see Note 3), options outstanding as of the spin-off record date were converted to options of the Company and options of eFunds. This conversion was calculated under a formula based on the market value of the Company's and eFunds' common stock at the spin-off record date and was designed to maintain an equivalent intrinsic value for the option holder utilizing the criteria described in Financial Accounting Standards Board Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*. This conversion process resulted in an adjustment to the pricing of the Company's options. The number of options and the remaining lives of the options were not adjusted. The weighted-average exercise prices shown in the table above, reflect the option prices on the dates the indicated events occurred. Thus, the weighted-average exercise price of options outstanding at December 31, 2000 reflects this pricing adjustment. The Company did not record a compensation charge as a result of this conversion process.

For options outstanding and exercisable at December 31, 2000, the adjusted exercise price ranges and average remaining lives were as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$16.42 to $21.99	1,333,189	8.64 years	$19.95	490,700	$20.74
$22.00 to $27.99	3,908,266	5.91 years	25.55	2,654,337	25.47
$28.00 to $35.03	125,993	2.97 years	32.79	125,993	32.79
	5,367,448	6.52 years	$24.33	3,271,030	$25.05

The Company issued 72,111, 106,815 and 60,912 restricted shares and restricted stock units at weighted-average fair values of $25.55, $34.78 and $33.22 during 2000, 1999 and 1998, respectively. These awards generally vest over periods ranging from one to five years.

Pro forma net income and net income per share have been determined as if the Company had accounted for its employee stock-based compensation under the fair value method. The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used in valuing options issued:

	2000	1999	1998
Risk-free interest rate (%)	6.6	6.7	5.9
Dividend yield (%)	7.1	4.6	4.5
Expected volatility (%)	24.4	24.0	21.8
Weighted-average option life (years)	9.0	9.0	5.9

The weighted-average fair value of options granted in 2000, 1999 and 1998 was $3.57, $8.24 and $5.99 per share, respectively. For purposes of pro forma disclosures, the estimated fair value of the options was recognized as expense over the options' vesting periods. The Company's pro forma net income and net income per share were as follows:

(dollars in thousands, except per share amounts)	2000	1999	1998
Net income:			
As reported	$161,936	$203,022	$143,063
Pro forma	157,552	197,555	140,510
Net income per share – basic:			
As reported	$ 2.24	$ 2.65	$ 1.77
Pro forma	2.18	2.58	1.74
Net income per share – diluted:			
As reported	$ 2.24	$ 2.64	$ 1.77
Pro forma	2.18	2.57	1.74

These pro forma calculations only include the effects of grants made subsequent to January 1, 1995. As such, these impacts are not necessarily indicative of the pro forma effects on reported net income of future years.

PROFIT SHARING, DEFINED CONTRIBUTION AND 401(K) PLANS: The Company maintains profit sharing plans, a defined contribution pension plan and a plan established under section 401(k) of the Internal Revenue Code to provide retirement benefits for certain employees. The plans cover substantially all full-time and some part-time employees with approximately 15 months of service. Contributions to the profit sharing and defined contribution plans are made solely by the Company. Employees may contribute up to the lessor of $10,500 or 10% of their wages to the 401(k) plan. The Company will match the first 1% of wages contributed and 50% of the next 4% of wages contributed. All contributions are remitted to the plans' respective trustees, and benefits provided by the plans are paid from accumulated funds of the trusts.

Contributions to the defined contribution pension plan equaled 4% of eligible compensation in 2000, 1999 and 1998. Related expense for continuing operations for these years was $9.5 million, $12.3 million and $11.2 million, respectively. Related expense for discontinued operations was $4.9 million, $3.2 million and $2.5 million in 2000, 1999 and 1998, respectively. Contributions to the profit sharing plans vary based on the Company's performance. Expense for continuing operations for these plans was $11.7 million, $12.8 million and $22.9 million in 2000, 1999 and 1998, respectively. Expense for discontinued operations was $3.1 million, $4.8 million and $4.6 million in 2000, 1999 and 1998, respectively. Company contributions to the 401(k) plan for continuing operations were $4.7 million, $6.4 million and $6.3 million in 2000, 1999 and 1998, respectively. Company contributions for discontinued operations were $2.3 million, $1.5 million and $1.5 million in 2000, 1999 and 1998, respectively.

Note 11

Post-retirement benefits

The Company provides certain health care benefits for a large number of its retired employees. Employees included in the plan may become eligible for such benefits if they attain the appropriate years of service and age while working for the Company. During 2000, the Company's plan was expanded to include certain employees of its Checks Unlimited subsidiary who were previously not covered by the plan.

Certain retirees' medical insurance premiums are based on the amounts paid by active employees. Effective January 1, 1998, active employees' premiums were reduced, thus reducing the medical premiums required to be paid by these retirees. Additionally, for retirees who participate in the active employees' indemnity plans, their co-payment amount was increased 5%.

The following table summarizes the change in benefit obligation and plan assets during 2000 and 1999:

(dollars in thousands)	
Benefit obligation, January 1, 1999	$80,639
Service cost	1,694
Interest cost	5,286
Actuarial (gains) and losses	3,383
Effect of curtailment	(3,200)
Benefits paid from plan assets and general funds of the Company	(6,947)
Benefit obligation, December 31, 1999	80,855
Service cost	1,586
Interest cost	5,873
Plan amendments	3,459
Actuarial (gains) and losses	2,329
Effect of curtailment	(1,837)
Benefits paid from plan assets and general funds of the Company	(6,088)
Benefit obligation, December 31, 2000	$86,177
Fair value of plan assets, January 1, 1999	$64,486
Actual return on plan assets	11,678
Benefits paid	(3,900)
Fair value of plan assets, December 31, 1999	72,264
Actual return on plan assets	11,386
Benefits paid	(4,200)
Fair value of plan assets, December 31, 2000	$79,450

The funded status of the plan was as follows at December 31:

(dollars in thousands)	2000	1999
Accumulated post-retirement benefit obligation	$ 86,177	$80,855
Less:		
Fair value of plan assets (debt and equity securities)	79,450	72,264
Unrecognized prior service cost	3,949	743
Unrecognized net loss	8,526	10,908
Unrecognized transition obligation	5,038	5,949
Prepaid post-retirement asset recognized in the consolidated balance sheets	$(10,786)	$(9,009)

Net post-retirement benefit cost for the years ended December 31 consisted of the following components:

(dollars in thousands)	2000	1999	1998
Service cost – benefits earned during the year	$ 1,586	$ 1,694	$ 1,218
Interest cost on the accumulated post-retirement benefit obligation	5,873	5,286	4,651
Expected return on plan assets	(7,236)	(6,126)	(5,719)
Amortization of transition obligation	458	586	680
Amortization of prior service cost	186	257	269
Recognized net amortization of (gains) and losses	127	290	(63)
Net post-retirement benefit cost	994	1,987	1,036
Curtailment (gain) loss	(883)	(1,242)	315
Total post-retirement benefit cost	$ 111	$ 745	$ 1,351

As a result of sales of businesses (see Note 6) and a reduction in employees as a result of the Company's cost-saving initiatives (see Note 4), the Company recognized a net post-retirement benefit curtailment gain of $0.3 million in 2000 and $1.2 million in 1999, and a net curtailment loss of $0.3 million in 1998. Additionally, in connection with the spin-off of eFunds (see Note 3), eFunds terminated its post-retirement medical plan. eFunds employees and retirees who were qualified for retiree medical benefits as of the spin-off date will continue to be eligible for these benefits from the Company. The Company has retained an obligation of $0.1 million as of December 31, 2000 for these employees and retirees. A net post-retirement benefit curtailment gain of $0.6 million was recorded at the spin-off date and was included in discontinued operations in the Company's 2000 consolidated statement of income.

In measuring the accumulated post-retirement benefit obligation as of December 31, 2000, the Company's health care inflation rate for 2000 and beyond was assumed to be 5%. A one percentage point increase in the health care inflation rate for each year would increase the accumulated post-retirement benefit obligation by approximately $12.8 million and the service and interest cost components of the net post-retirement benefit cost by approximately $1.1 million. A one percentage point decrease in the health care inflation rate for each year would decrease the accumulated post-retirement benefit obligation by approximately $11.2 million and the service and interest cost components of the net post-retirement benefit cost by approximately $1.0 million. The discount rate used in determining the accumulated post-retirement benefit obligation as of December 31, 2000 and 1999 was 7.5%. The expected long-term rate of return on plan assets used to determine the net periodic post-retirement benefit cost was 9.5% in 2000, 1999 and 1998.

Note 12

Lease and debt commitments

Long-term debt was as follows:

December 31, (dollars in thousands)	2000	1999
8.55% unsecured and unsubordinated notes due February 15, 2001	$100,000	$100,000
Other	10,873	14,407
Total long-term debt	110,873	114,407
Less amount due within one year	100,672	2,462
Total	$ 10,201	$111,945

In February 1991, the Company issued $100.0 million of 8.55% unsecured and unsubordinated notes due February 15, 2001. The notes are not redeemable prior to maturity. The fair values of these notes were estimated to be $100.2 million and $101.8 million at December 31, 2000 and 1999, respectively, based on quoted market prices.

Other long-term debt as of December 31, 2000 consists of a facility capital lease. This capital lease obligation bears interest at 10.4% and is due through the year 2009. The Company also has entered into operating leases on certain facilities and equipment. Future minimum lease payments under the capital obligation and noncancelable operating leases as of December 31, 2000 are as follows:

(dollars in thousands)	Capital Lease	Operating Leases
2001	$ 1,773	$ 7,071
2002	1,804	6,041
2003	1,897	4,534
2004	1,897	3,717
2005	1,897	2,619
2006 and thereafter	7,437	3,343
Total minimum lease payments	16,705	$27,325
Less portion representing interest	5,832	
Present value of minimum lease payments	10,873	
Less current portion	672	
Long-term portion of obligation	$10,201	

Rent expense charged to continuing operations was $10.6 million, $23.2 million and $26.6 million for 2000, 1999 and 1998, respectively. Rent expense charged to discontinued operations was $17.5 million, $20.7 million and $18.8 million for 2000, 1999 and 1998, respectively.

Depreciation of the Company's real estate asset under capital lease is included in depreciation expense in the Company's consolidated statements of cash flows. The balance of the leased asset was as follows:

December 31, (dollars in thousands)	2000	1999
Buildings and building improvements	$11,574	$11,574
Less accumulated depreciation	1,933	232
Net buildings and building improvements under capital lease	$ 9,641	$11,342

As of December 31, 2000, the Company had both committed and uncommitted bank lines of credit. These lines of credit could be withdrawn if the Company failed to comply with the covenants established in the credit agreements. Commitment fees on the committed lines of credit range from six and one-half to seven basis points.

The Company's committed lines of credit for $450.0 million were available for borrowing and as support for our $150.0 million commercial paper program. The average amount drawn on these lines during 2000 was $18.8 million at a weighted-average interest rate of 6.26%. As of December 31, 2000, no amounts were outstanding under these lines of credit. The average amount drawn on these lines during 1999 was $12.7 million at a weighted-average interest rate of 6.10%. As of December 31, 1999, $60.0 million was outstanding under these lines of credit at an interest rate of 6.39%. The average amount of commercial paper outstanding during 2000 was $6.2 million at a weighted-average interest rate of 6.56%. No commercial paper was issued during 1999. There was no outstanding commercial paper at December 31, 2000 or 1999.

The Company's uncommitted bank lines of credit for $35.0 million were available at variable interest rates. The average amount drawn on these lines during 2000 was $33,000 at a weighted-average interest rate of 6.38%. The average amount drawn on these lines during 1999 was $1.1 million at a weighted-average interest rate of 5.12%. As of December 31, 2000 and 1999 there was no outstanding balance under these lines of credit.

The Company has a shelf registration in place for the issuance of up to $300.0 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of December 31, 2000 and 1999, no such notes were issued or outstanding.

Absent certain defined events of default under a $150.0 million committed credit facility and the indenture related to its outstanding 8.55% unsecured and unsubordinated notes due February 15, 2001, there are no significant contractual restrictions on the ability of the Company to pay cash dividends.

Note 13

Common stock purchase rights

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

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

Note 14

Shareholders' equity

(dollars in thousands)	Common shares	Additional paid-in capital	Retained earnings	Unearned compensation	Accumulated Other Comprehensive Income: Unrealized gain (loss) on marketable securities	Accumulated Other Comprehensive Income: Cumulative translation adjustment
Balance, December 31, 1997	$81,326	$ 4,758	$ 525,302	$(649)	$ –	$(489)
Net income	–	–	143,063	–	–	–
Cash dividends	–	–	(119,682)	–	–	–
Common stock issued	988	31,613	–	–	–	–
Common stock retired	(1,833)	(29,549)	(28,941)	–	–	–
Unearned compensation	–	–	–	411	–	–
Unrealized fair value adjustments	–	–	–	–	70	–
Translation adjustment	–	–	–	–	–	177
Balance, December 31, 1998	80,481	6,822	519,742	(238)	70	(312)
Net income	–	–	203,022	–	–	–
Cash dividends	–	–	(113,535)	–	–	–
Common stock issued	1,112	35,846	–	–	–	–
Common stock retired	(9,573)	(42,668)	(262,612)	–	–	–
Unearned compensation	–	–	–	191	–	–
Unrealized fair value adjustments	–	–	–	–	(485)	–
Translation adjustment	–	–	–	–	–	(555)
Balance, December 31, 1999	72,020	–	346,617	(47)	(415)	(867)
Net income	–	–	161,936	–	–	–
Adjustment for lag in financial reporting (1)	–	–	(1,125)	–	–	–
Cash dividends	–	–	(107,195)	–	–	–
Distribution of subsidiary stock to shareholders (see Note 3)	–	–	(253,990)	–	–	–
Gain on sale of subsidiary stock (2)	–	30,495	–	–	–	–
Common stock issued	583	14,938	–	–	–	–
Common stock retired	(48)	(1,190)	–	–	–	–
Unearned compensation	–	–	–	(13)	–	–
Unrealized fair value adjustments	–	–	–	–	242	–
Translation adjustment	–	–	–	–	–	867
Balance, December 31, 2000	$72,555	$ 44,243	$ 146,243	$ (60)	$(173)	$ –

(1) Prior to 2000, for purposes of consolidating a subsidiary based in India, the Company used financial statements with a November 30 fiscal period end. Effective January 1, 2000, this subsidiary changed its reporting dates to coincide with the rest of the Company. The results of operations for this subsidiary for the month of December 1999 were excluded from the Company's consolidated statements of income and were reflected as an adjustment to retained earnings during the first quarter of 2000.

(2) In June 2000, the Company's subsidiary, eFunds, sold 5.5 million shares of its common stock to the public. Prior to this initial public offering (IPO), the Company owned 40 million, or 100%, of eFunds' total outstanding shares. Subsequent to the IPO, the Company continued to own 40 million shares of eFunds, representing 87.9% of eFunds' total outstanding shares. Proceeds from the offering, based on the offering price of $13.00 per share, totaled $71.5 million ($64.5 million, net of offering expenses). The difference of $30.5 million between the net proceeds from the offering and the carrying amount of the Company's investment in eFunds was recorded as additional paid-in capital. No tax expense or deferred tax was provided on this amount, as the Company disposed of its ownership in eFunds in a tax-free manner (see Note 3).

Note 15

Business segment information

During 2000, the Company operated two business segments, based on the nature of the products and services offered by each: Paper Payment Systems and eFunds. Paper Payment Systems provides checks and related products to individuals and small businesses located in the United States. eFunds provides transaction processing and risk management services to financial institutions, retailers, electronic funds transfer networks, e-commerce providers and government agencies and also offers information technology consulting and business process management services. In December 2000, the Company disposed of its ownership in eFunds via a spin-off transaction (see Note 3). The results of eFunds are reflected as discontinued operations in the Company's consolidated financial statements and thus, are excluded from the Company's segment information. Prior year information for the Paper Payment Systems segment has been restated to include unallocated corporate expenses.

During 1999 and 1998, the Company also operated NRC Holding Corporation, a collections business. This business was sold in December 1999 (see Note 6). The results of this business are not included in the Company's reportable segments, but are included in the Company's reconciliations to consolidated amounts.

During 1998, the Company operated two additional segments: Direct Response and Deluxe Direct. The sales of both of these businesses were completed in December 1998 (see Note 6). Direct Response provided direct marketing, customer database management, and related services to the financial industry and other businesses. Deluxe Direct primarily sold greeting cards, stationery, and specialty paper products through direct mail.

None of the Company's reportable segments operated internationally during 2000 or 1999. The Company's Deluxe Direct segment did have operations in the United Kingdom during 1998. These operations generated revenue of $1.2 million during 1998. No single customer of the Company accounted for more than 10% of revenue in 2000, 1999 or 1998.

The accounting policies of the segments are the same as those described in Note 1. During 1998, corporate expenses were allocated to the segments as a fixed percentage of segment revenues. This allocation included expenses for various support functions such as human resources, information services and finance and included depreciation and amortization expense related to corporate assets. The corresponding corporate asset balances were allocated to the segments. Most inter-segment sales were based on current market pricing.

	Reportable Business Segments				
(dollars in thousands)	Paper Payment Systems	Direct Response	Deluxe Direct	All Others	Consolidated
Revenue from external customers:					
2000	$1,262,712	$ –	$ –	$ –	$1,262,712
1999	1,239,724	–	–	124,074	1,363,798
1998	1,285,728	42,662	223,906	121,419	1,673,715
Intersegment sales:					
2000	–	–	–	–	–
1999	–	–	–	–	–
1998	1,808	722	–	350	2,880
Operating income (loss):					
2000	277,310	–	–	–	277,310
1999	296,213	–	–	2,021	298,234
1998	271,780	(22,573)	5,047	3,640	257,894
Depreciation and amortization expense:					
2000	68,570	–	–	–	68,570
1999	58,991	–	–	2,050	61,041
1998	53,984	2,213	–	5,957	62,154
Total assets:					
2000	649,469	–	–	–	649,469
1999	710,402	–	–	194,963	905,365
1998	919,264	–	–	158,136	1,077,400
Capital purchases:					
2000	48,483	–	–	–	48,483
1999	73,458	–	–	3,337	76,795
1998	80,426	602	1,623	8,156	90,807

All Others total assets as of December 31, 1999 represents the net assets of discontinued operations (see Note 3). All Others total assets as of December 31, 1998 includes net assets of discontinued operations of $89.4 million and the assets of the Company's collections business.

The Company's revenue by product was as follows:

(dollars in thousands)	2000	1999	1998
Checks and related services	$1,126,249	$1,113,143	$1,140,236
Other printed products	21,519	23,757	25,659
Accessories	114,944	102,824	119,833
Divested businesses	–	124,074	387,987
Total revenue	$1,262,712	$1,363,798	$1,673,715

Note 16

Additional discontinued operations disclosures

SIGNIFICANT ACCOUNTING POLICIES:

CAPITALIZATION OF SOFTWARE DEVELOPED FOR RESALE: The Company's discontinued operations capitalized costs of software developed for licensing and resale once technological feasibility had been established. Costs incurred prior to establishing technological feasibility were expensed as incurred. Technological feasibility was established upon completion of all planning, designing, coding and testing activities that were necessary to determine that a product could be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceased when the product was available for general release to customers. Such costs were amortized on a product-by-product basis, but no longer then five years. The carrying value of software developed for resale was reviewed in accordance with the Company's policy on impairment of long-lived assets and intangibles.

In some situations, customers did not take possession of the software. Instead, it remained installed on the Company's hardware and customers accessed it as needed. The software utilized under these arrangements was also sold to customers. Thus, the development costs of these software products were accounted for under the Company's policy on capitalization of software developed for resale.

TRANSLATION ADJUSTMENT: The financial position and results of operations of international subsidiaries were measured using local currencies as the functional currencies. Assets and liabilities of these operations were translated at the exchange rate in effect at the balance sheet date. Income statement accounts were translated at the average exchange rate during the year. Translation adjustments arising from the use of differing exchange rates from period to period were included in other comprehensive income in the shareholders' equity section of the consolidated balance sheets. After the spin-off of discontinued operations in December 2000 (see Note 3), the Company no longer operates international subsidiaries.

REVENUE RECOGNITION: Transaction processing and service fees were recognized in the period that the service was performed. These services consisted of processing customers' electronic debit transactions through electronic funds transfer networks and settling the funds with the financial institutions involved in the transaction. Additionally, these services included monitoring automated teller machines (ATM) and point-of-sale devices to alert the customers when potential problems occurred. These fees were charged on a per transaction basis, depending on the contractual arrangement with the customer. Government services fees were recognized in the period services were provided based on monthly fees per benefits recipient.

Decision support fees were recognized as revenue in the period the services were provided. Decision support services consisted of new account applicant and check verification screenings to manage the risk associated with account openings and check acceptance. Decision support fees were based on the number of inquiries against the databases used for screening purposes or monthly fees based on the aggregate dollar value of checks authorized by the retailer, depending on the product and service.

Software license fees for standard software products were recognized at the point when delivery occurred, the license fee was fixed and determinable, collectibility was probable and evidence of the arrangement existed. License fees were charged based on modules purchased by the customer. In some situations, customers did not take possession of the software. Instead, it remained installed on the Company's hardware and customers accessed it as needed. Revenue in these situations was recognized on a fee-for-service basis.

Software maintenance and support revenues were recognized ratably over the term of the contract, and/or as the services were provided. Support services, such as customization of standard software modules, were charged on a time and materials basis and were recognized as hours were completed.

Revenue for information technology consulting and business process management services were generally recognized under two methods, depending on contractual terms. Under the time and materials method, revenue was based on a fee per hour basis and was recognized as hours were completed. Under the fixed contract method, a pre-set fee was agreed upon for a project, and revenue was recognized proportionately to the percentage completion of the project.

LONG-TERM SERVICE CONTRACTS: Long-term service contracts are definitive agreements to provide services over a period of time in excess of one year and with respect to which the Company has no contractual right to adjust the prices or terms at or on which its services are supplied during the term of the contract. The Company's long-term service contracts were for transaction processing and business process management services provided by discontinued operations. Total revenues for some long-term service contracts could vary based on the demand for services. Revenues on long-term service contracts were recognized under the applicable revenue recognition policy outlined above. Expenses were recognized when incurred, with the exception of installation costs. Under the discontinued operations' long-term service contracts, installation costs were not recovered at the time of installation. Rather, they were factored into billing rates over the term of the contract. Accordingly, installation costs for long-term service contracts were initially capitalized and then amortized over the life of the contract. Any equipment and software purchased to support a long-term service contract was capitalized and depreciated or amortized over the life of the related contract or the life of the asset, whichever was shorter.

In determining the profitability of a long-term service contract, only direct and allocable indirect costs associated with the contract were included in the calculation. The appropriateness of allocations of indirect costs depended on the circumstances and involved the judgment of management, but such costs could have included the costs of indirect labor, contract supervision, tools and equipment, supplies, quality control and inspection, insurance, repairs and maintenance, depreciation and amortization and, in some circumstances, support costs. The method of allocating any indirect costs included in the analysis was also dependent upon the circumstances and the judgment of management, but the allocation method was systematic and rational. Selling, general and administrative costs were not included in the analysis. Provisions for estimated losses on long-term service contracts, if any, were made in the period in which the loss first became probable and reasonably estimable. Projected losses were based on management's best estimates of a contract's revenue and costs. Actual losses on individual long-term service contracts were compared to the loss projections periodically, with any changes in the estimated total contract loss recognized as they became probable and reasonably estimable.

Certain direct costs associated with electronic benefits transfer (EBT) contracts were common to a number of contracts and were attributed to each contract based on its use of the services associated with these common direct costs. Revenues, case counts or other applicable statistics were used to attribute these costs to individual contracts.

In the event an asset impairment loss was recognized on long-lived assets used to support a long-term service contract, the original estimation of the contract's costs was revised to reduce the depreciation and amortization associated with the impaired assets accordingly.

RESULTS OF DISCONTINUED OPERATIONS:

Revenue and loss from discontinued operations were as follows:

Year Ended December 31, (dollars in thousands)	2000	1999	1998
Revenue from external customers	$358,609	$293,502	$265,934
Pre-tax income (loss) from operations of discontinued operations before measurement date	$ 10,402	$ 2,073	$ (13,390)
Pre-tax costs of spin-off	(16,786)	–	–
Income tax expense (benefit)	1,152	3,372	(2,887)
Net loss from discontinued operations	$ (7,536)	$ (1,299)	$ (10,503)

Pre-tax costs of the spin-off are net of pre-tax income of $2.2 million for the results of discontinued operations subsequent to the November 30, 2000 measurement date. This is the date on which the Company's board of directors approved the spin-off. Costs of the spin-off also include amounts due to officers of the Company under executive employment agreements of $7.2 million, losses of $2.9 million on disposals of infrastructure assets not usable by the Company or by the discontinued operations, as well as legal, consulting and accountants fees.

In connection with the spin-off, the Company and eFunds entered into various agreements that define their relationship after the separation. The Company has agreed to indemnify eFunds for future losses arising from any litigation based on the conduct of the discontinued operations' EBT and medical eligibility verification businesses prior to eFunds' initial public offering in June 2000 (see Note 14), and from certain future losses on identified loss contracts. The maximum amount of litigation and contract losses for which the Company will indemnify eFunds is $14.6 million. The Company has also entered into contracts with eFunds for the purchase of application development, support and repair services and business process management services. The Company expects to pay eFunds approximately $50.0 million per year for these services through 2004. The Company also agreed to provide eFunds the right, through 2001, to use the system through which the Company's check printing customers order products in order that eFunds may deliver its ChexSystems products. The Company will receive approximately $3.9 million from eFunds in 2001 for providing this right. Additionally, the two companies entered into agreements addressing such matters as data sharing, real estate and tax sharing.

RESTRUCTURING CHARGES:

During 2000, the Company's results of discontinued operations includes restructuring charges of $0.6 million for administrative reductions. These charges assumed the termination of 31 employees.

During 1999, the Company's results of discontinued operations includes reversals of restructuring charges of $2.4 million relating to the Company's 1998 initiative to reduce SG&A expense and its 1996 plan to reduce its international workforce The reduction in the SG&A expense initiative accrual was due to higher than anticipated attrition, resulting in severance payments to 37 fewer employees than originally anticipated. Also, prior to 1999, the Company was planning on divesting its international operations. In 1999, the Company decided to retain these operations, thus, planned reductions within that business were canceled.

During 1998, the Company's results of discontinued operations includes restructuring charges of $3.2 million for severance associated with the Company's initiative to reduce SG&A expense. The Company had anticipated eliminating 76 positions in various support functions within sales, marketing, finance, human resources and information services. Also during 1998, the results of discontinued operations includes the reversal of $1.0 million of a 1996 restructuring charge. The 1996 charge related to planned reductions in various international support functions. Due to higher than anticipated attrition, it was necessary to reduce this reserve.

The following table summarizes the changes in discontinued operations restructuring reserves during 2000, 1999 and 1998:

(dollars in millions)	2000		1999		1998	
	Amount	Number of employees affected	Amount	Number of employees affected	Amount	Number of employees affected
Balance-beginning of year	$ 1.2	6	$ 4.7	186	$ 4.6	174
Adjustments to accruals	.6	31	(2.4)	(162)	2.2	31
Severance paid	(1.4)	(28)	(1.1)	(18)	(2.1)	(19)
Spin-off	(0.4)	(9)	–	–	–	–
Balance-end of year	$ –	–	$ 1.2	6	$ 4.7	186

IMPAIRMENT LOSSES:

During 1998, the Company's results of discontinued operations includes impairment charges of $26.3 million to write-down the carrying value of the long-lived assets of the EBT business. The assets consisted of point-of-sale equipment, internal-use software and capitalized installation costs. The Company concluded that the operating losses incurred by this business would continue. This was primarily due to the fact that the variable costs associated with supporting benefit recipient activity were higher than originally anticipated and actual transaction volumes were below original expectations. In calculating the impairment charges, the Company determined that the assets utilized by this business had no fair market value. The point-of-sale equipment was purchased via capital leases. The lease buy-out prices for the equipment plus the deinstallation costs exceeded the amount equipment resellers were willing to pay for the equipment. The utility of the internal-use software was limited to its use in supporting the EBT business, and the installation costs could not be resold. Thus, the long-lived assets and intangibles of this business were reduced to a carrying value of zero.

CONTRACT LOSSES:

During 2000, 1999 and 1998, the Company's results of discontinued operations includes charges for expected future losses on the long-term service contracts of the EBT business.

During 2000, net contract loss charges of $9.7 million were recorded. In April 2000, the Company completed negotiations with the prime contractor for a state coalition for which the Company's discontinued operations provides EBT services. Prior to this, the Company and the prime contractor were operating without a binding, legally enforceable contract. The Company increased its accrual for expected future losses on long-term service contracts by $12.2 million to reflect the fact that there was now a definitive agreement with this contractor. Offsetting this charge was the reversal of $2.5 million of previously recorded contract loss accruals. These reversals resulted from productivity improvements and cost savings from lower than anticipated telecommunications and interchange expenses.

During 1999, contract loss charges of $8.2 million were recorded. A majority of the charges resulted from the conclusion of negotiations with a prime contractor regarding the timing and costs of transitioning switching services from the Company to a new processor. Also, lower than projected actual transaction volumes (primarily related to states fully rolled-out in 1999) contributed to changes in the estimates underlying the charges recorded in 1998.

During 1998, contract loss charges of $14.7 million were recorded. Due to a continuing strong economy, record low unemployment and welfare reform, the actual transaction volumes and expected future revenues of the EBT business were well below original expectations. Additionally, actual and expected future telecommunications, installation, help desk and other costs were significantly higher than originally anticipated. These factors resulted in expected future losses on existing EBT contracts.

BUSINESS COMBINATIONS:

2000 ACQUISITIONS: During March 2000, the Company paid cash of $20.0 million for an approximately 24% interest in a limited liability company that provides ATM management and outsourcing services to retailers and financial institutions. The Company's share of the results of this business subsequent to its acquisition date are included in discontinued operations in the Company's consolidated statements of income. The difference of $20.0 million between the carrying value of the investment and the underlying equity in the net assets of the limited liability company was being amortized over 15 years.

1999 ACQUISITIONS: During February 1999, the Company acquired all of the outstanding shares of eFunds Corporation of Tustin, California for $13.0 million in cash. This company provides electronic check conversion and electronic funds transfer solutions to financial services companies and retailers. The acquisition was accounted for under the purchase method of accounting. The results of this business subsequent to its acquisition date are included in discontinued operations in the Company's consolidated statements of income. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Total cost in excess of net assets acquired in the amount of $15.7 million was being amortized over 10 years.

During April 1999, the Company acquired the remaining 50% ownership interest in HCL-Deluxe, N.V. for $23.4 million in cash. The joint venture, which the Company entered into with HCL Corporation of India in 1996, commenced operations in September 1997. The company provides information technology consulting and business process management services to financial services companies and to all of the Company's businesses. The acquisition was accounted for under the purchase method of accounting. The entire results of this business from the date the Company acquired 100% ownership are included in discontinued operations in the Company's consolidated statements of income. Prior to this, the Company recorded its 50% ownership of the joint venture's results under the equity method of accounting. These results are also included in discontinued operations in the Company's consolidated statements of income. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. Total cost in excess of net assets acquired in the amount of $24.9 million was being amortized over 15 years.

LEGAL PROCEEDINGS:

During 1997, a judgment was entered against the Company in the U.S. District Court for the Western District of Pennsylvania. The case was brought against the Company by Mellon Bank (Mellon) in connection with a potential bid to provide EBT services for the Southern Alliance of States. In 1997, the Company recorded a pretax charge of $40.0 million to reserve for this judgment and other related costs. In 1998, Mellon's motion for prejudgment interest was denied by the district court. As a result, the Company's 1998 results of discontinued operations includes a reversal of $4.2 million of the $40.0 million liability.

In January 1999, the United States Court of Appeals for the Third Circuit affirmed the judgment of the district court and the Company paid $32.2 million to Mellon in February 1999. The portion of the reserve remaining after the payment of this judgment ($2.1 million) was reversed in 1999.

Note 17

Subsequent events (unaudited)

In January 2001, the Company's board of directors approved a stock repurchase plan, authorizing the repurchase of up to 14 million shares of its common stock.

In February 2001, the Company's $100.0 million of 8.55% unsecured and unsubordinated notes became payable. The Company paid these notes by utilizing cash on hand.

In March 2001, the Company increased the amount of its commercial paper program to $300.0 million.

Independent Auditors' Report

Deluxe Corporation

We have audited the accompanying consolidated balance sheets of Deluxe Corporation and its subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Deluxe Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP

Minneapolis, Minnesota
January 25, 2001

Summarized Quarterly Financial Data (UNAUDITED)

2000 QUARTER ENDED

(dollars in thousands, except per share amounts)	March 31	June 30	September 30	December 31
Revenue	$321,578[1]	$322,250[1]	$316,084[1]	$302,800
Gross profit	206,207[1]	209,555[1]	202,876[1]	192,817
Income from continuing operations	42,024	42,644	46,964	37,840[3]
Per share of common stock:				
Continuing operations – basic	.58	.59	.65	.52[3]
Continuing operations – diluted	.58	.59	.65	.52[3]
Net income – basic	.61	.48[2]	.68	.46[4]
Net income – diluted	.61	.48[2]	.68	.46[4]
Cash dividends	.37	.37	.37	.37

1999 QUARTER ENDED

(dollars in thousands, except per share amounts)	March 31	June 30	September 30	December 31
Revenue	$347,844[1]	$337,481[1]	$341,321[1]	$337,152[1]
Gross profit	203,320[1]	196,799[1]	201,049[1]	206,718[1]
Income from continuing operations	43,554	47,904	49,319	63,544[5]
Per share of common stock:				
Continuing operations – basic	.54	.62	.65	.86[5]
Continuing operations – diluted	.54	.61	.65	.86[5]
Net income – basic	.60	.61	.65	.79[6]
Net income – diluted	.60	.61	.65	.79[6]
Cash dividends	.37	.37	.37	.37

(1) As a result of the spin-off of eFunds, these figures differ from those previously reported in the Company's Quarterly Reports on Form 10-Q and the Company's Annual Report on Form 10-K for the year ended December 31, 1999. The results of eFunds are reflected as discontinued operations in the Company's consolidated financial statements for all periods presented.

(2) 2000 second quarter results include charges of $9.7 million for additional expected future losses on existing EBT contracts of discontinued operations, charges of $7.2 million for payments due under executive employment agreements due to the planned separation of eFunds and net restructuring reversals of $1.6 million.

(3) 2000 fourth quarter results from continuing operations include asset impairment charges of $9.7 million relating to a discontinued e-commerce initiative.

(4) 2000 fourth quarter results include asset impairment charges of $9.7 million relating to a discontinued e-commerce initiative and costs of $9.1 million relating to the spin-off of eFunds.

(5) 1999 fourth quarter results from continuing operations include a gain of $19.8 million on the sale of its collections businesses and the reversal of $5.6 million of restructuring reserves.

(6) 1999 fourth quarter results include a gain of $19.8 million on the sale of its collections businesses, the reversal of $6.0 million of restructuring reserves and charges of $8.2 million to reserve for additional expected future losses on existing EBT contracts of discontinued operations.

Board of Directors

Lawrence J. Mosner
Chairman and Chief Executive Officer
Deluxe Corporation

Ronald E. Eilers
President and Chief Operating Officer
Deluxe Corporation

Barbara B. Grogan
President and Chief Executive Officer
Western Industrial Contractors, Inc.

Stephen P. Nachtsheim
Vice President, Corporate Business Development
Intel Corporation

Calvin W. Aurand, Jr.
Chairman and Chief Executive Officer
Premier Graphics, Inc.

Donald R. Hollis
President
DRH Strategic Consulting, Inc.

Robert C. Salipante
General Manager and Chief Executive Officer
ING U.S. Retail Financial Services

Daniel D. Granger
Chairman, and Chief Executive Officer
Catalina Marketing Corporation

Cheryl E. Mayberry
Chairperson and Chief Executive Officer
NiaOnline, LLC

Charles A. Haggerty
Retired Chairman, President and Chief Executive Officer
Western Digital Corporation

Executive Leadership Team

Lawrence J. Mosner
Chairman and Chief Executive Officer

Ronald E. Eilers
President and Chief Operating Officer

Stuart Alexander
Vice President
Investor Relations and Public Affairs

Stephen J. Berry
Senior Vice President, President
Checks Unlimited/Designer Checks

Guy C. (Chuck) Feltz
Senior Vice President, President
FI Check Printing

Gene H. Peterson
Vice President
eBusiness and Corporate Development

Sonia W. St. Charles
Senior Vice President
Human Resources

Anthony C. Scarfone
Senior Vice President
General Counsel and Secretary

Warner F. Schlais
Senior Vice President and Chief Information Officer

Richard L. Schulte
Senior Vice President, President
Deluxe Business Forms and Supply Chain

Douglas J. Treff
Senior Vice President and Chief Financial Officer

Shareholder Information

QUARTERLY STOCK DATA

The chart below shows the per-share price range for the Company's common stock for the past two fiscal years as quoted on the New York Stock Exchange. The per-share prices have been adjusted to reflect the spin-off of our subsidiary, eFunds Corporation, on December 29, 2000.

Stock Price Ranges (dollars)	High	Low	Close
2000			
Quarter 1	**23.18**	**17.74**	**21.18**
Quarter 2	**21.23**	**18.65**	**18.84**
Quarter 3	**19.19**	**15.99**	**16.24**
Quarter 4	**20.20**	**15.89**	**20.20**
1999			
Quarter 1	29.88	23.28	23.28
Quarter 2	31.03	22.63	31.03
Quarter 3	32.37	26.48	27.18
Quarter 4	27.83	19.79	21.93

STOCK EXCHANGE

Deluxe Corporation common stock is traded on the New York Stock Exchange under the symbol DLX.

ANNUAL MEETING

Shareholders are invited to attend Deluxe's annual shareholder meeting. It will be held Tuesday, May 8, 2001, in the Continental Room at the Holiday Inn – St. Paul North, 1201 W. County Rd. E, St. Paul, Minnesota, at 1:30 p.m.

FORM 10-K AVAILABLE

A copy of Form 10-K (Annual Report) filed with the Securities and Exchange Commission by the Company may be obtained without charge by calling 1-888-359-6397 (1-888-DLX-NEWS) or by sending a written request to Stuart Alexander, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235.

SHAREHOLDER INQUIRIES

Requests for additional information should be sent to corporate headquarters to the attention of: Stuart Alexander, Vice President, (651) 483-7358.

EXECUTIVE OFFICES

Street address:

3680 Victoria St. N., Shoreview, Minnesota 55126-2966

Mailing address:

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

STOCK OWNERSHIP AND RECORD KEEPING

Wells Fargo, Shareowner Services, 161 N. Concord Exchange
P.O. Box 64854, St. Paul, Minnesota 55164-0854
(800) 468-9716 (651) 450-4064
E-mail: stocktransfer@wellsfargo.com

TOLL-FREE SHAREHOLDER INFORMATION LINE

You may dial 1-888-359-6397 (1-888-DLX-NEWS) to listen to the latest financial results, dividend news and other information about Deluxe or to request copies of our annual report, 10-K, 10-Q, proxy statement, news releases and financial presentation information.

PLANNED RELEASE DATES

Quarterly results: April 19, July 19, October 18, January 31 (2002). Dividends are announced the second week of February, May, August and November.

WEB SITE

Visit our websites:
http://www.dlx.com
http://www.deluxe.com
http://www.deluxeforms.com
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FORWARD-LOOKING STATEMENTS

Statements made in this report concerning the Company's or management's intentions, expectations, or predictions about future results or events are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current expectations or beliefs, and are subject to risks and uncertainties that could cause actual results or events to vary from stated expectations, which variations could be material and adverse. Additional information concerning the factors that could cause actual results and events to differ materially from the Company's current expectations is contained in Exhibit 99 to the Company's Form 10-K for the year ended December 31, 2000, which has been filed with the Securities and Exchange Commission. To obtain a copy, we encourage investors to call our shareholder information line (1-888-359-6397).

DELUXE

Deluxe Corporation

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