

DELUXE CORP
Form DEF 14A
March 10, 2006

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

Deluxe Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- (3) Filing Party:
- (4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 26, 2006**

To the Shareholders of Deluxe Corporation:

The 2006 annual meeting of shareholders will be held at the Deluxe Corporation headquarters located at 3680 Victoria Street North, Shoreview, Minnesota on Wednesday, April 26, 2006, at 2:00 p.m. Central Daylight Time for the following purposes:

1. To elect nine directors to hold office until the 2007 annual meeting of shareholders.
2. To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of Deluxe for the year ending December 31, 2006.
3. To take action on any other business that may properly come before the meeting and any adjournment thereof.

Shareholders of record at the close of business on March 7, 2006 are entitled to vote at the meeting and at any adjournment thereof.

Whether or not you expect to be present at the meeting, please complete, sign, date and return the enclosed proxy card as soon as possible or follow the instructions on the proxy card for voting via telephone or the internet to ensure the presence of a quorum and save Deluxe further solicitation expense. For your convenience, a return envelope is enclosed that requires no postage if mailed in the United States. If you decide to attend the meeting and vote in person, you may withdraw your proxy.

BY ORDER
OF THE
BOARD OF
DIRECTORS

Anthony C.
Scarfone
Secretary

March 10, 2006

DELUXE CORPORATION

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

**Proxy Statement
2006 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 26, 2006**

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INFORMATION CONCERNING SOLICITATION AND VOTING

What is the purpose of the meeting?

At our annual meeting, shareholders will act upon the matters disclosed in the Notice of Annual Meeting of Shareholders that preceded this proxy statement. There are two proposals scheduled to be voted on at the meeting:

- Elect nine directors; and
- Ratify the appointment of PricewaterhouseCoopers LLP as Deluxe's independent accountants.

We will also consider any other business that may be properly presented at the meeting, and management will report on Deluxe's performance during the last fiscal year and respond to questions from shareholders.

The Board of Directors of Deluxe is asking you to vote on the proposed items of business. This proxy statement and form of proxy, along with our annual report to shareholders, are first being sent to shareholders on or about March 17, 2006.

How does the Board recommend that I vote?

The Board of Directors recommends a vote:

- FOR all of the nominees for director; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Deluxe's independent accountants for the fiscal year ending December 31, 2006.

Who is entitled to vote at the meeting?

The Board has set March 7, 2006, as the record date for the meeting. If you were a shareholder of record at the close of business on March 7, 2006, you are entitled to vote at the meeting. You have one vote for each share of common stock you held on the record date.

Who is entitled to vote at the meeting?

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As of the record date, 51,304,012 shares of Deluxe common stock were outstanding. Deluxe does not have any other class of capital stock outstanding.

How many shares must be present to hold the meeting?

A quorum is necessary to hold the meeting and conduct business. The presence of shareholders who can direct the vote (with respect to the election of directors) of at least a majority of the outstanding shares of common stock as of the record date is considered a quorum. A shareholder is counted present at the meeting if:

- the shareholder is present and votes in person at the meeting; or
- the shareholder has properly submitted a proxy or voted by telephone or via the internet.

What is the difference between a shareholder of record and a street name holder?

If your shares are registered directly in your name, you are considered the shareholder of record with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares, and your shares are held in street name .

How do I vote my shares?

If you are a shareholder of record, you can vote your shares without having to attend the meeting by providing a proxy. This can be done either:

- over the telephone by calling 1-800-240-6326;

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- electronically, using the internet at <http://www.eproxy.com/dlx>; or
- by mailing the enclosed proxy card.

The telephone and internet voting procedures have been set up for your convenience. The procedures have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a shareholder of record and you would like to vote by telephone or by using the internet, please refer to the specific instructions on the enclosed proxy card. If you wish to vote using the paper proxy card, please return your signed proxy card to us before the meeting. You may also vote in person at the meeting.

If you hold your shares in street name, you must vote your shares following the procedures indicated to you by your broker or nominee on the enclosed voting instruction card.

What does it mean if I receive more than one proxy card?

It means you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card or, if you vote by telephone or via the internet, vote once for each proxy card you receive. If you wish to consolidate your accounts, please contact our stock transfer agent, Wells Fargo Bank, N.A., at P.O. Box 64854, St. Paul, Minnesota 55164 or by telephone at 800-468-9716 (toll-free).

In addition to a proxy card, you may also receive a voting instructions card which appears very similar to a proxy card. Voting instructions are prepared by brokers, banks or other nominees for shareholders who hold shares in street name.

Can I vote my shares in person at the meeting?

Yes. If you are a shareholder of record, you may vote your shares at the meeting by completing a ballot at the meeting. However, even if you currently plan to attend the meeting, we recommend that you submit your proxy ahead of time so that your vote will be counted if, for whatever reason, you later decide not to attend the meeting.

If you hold your shares in street name, you may vote your shares in person at the meeting only if you obtain a signed proxy from your broker, bank or other nominee giving you the right to vote such shares at the meeting.

What vote is required to elect directors?

In accordance with Minnesota law, directors are elected by a plurality of votes cast. This means that the nine nominees receiving the highest number of votes will be elected, provided that a quorum is present at the meeting.

What vote is required on proposals other than the election of directors?

With respect to each item of business to be voted on at the meeting other than the election of directors, the affirmative vote of a majority of the shares present and entitled to vote with respect to that item is required for the approval of the item (provided that the total number of shares voted in favor of the proposal constitutes more than 25% of the outstanding shares).

How are votes counted?

Shareholders may either vote FOR or WITHHOLD authority to vote for the nominees for the Board of Directors. Shareholders may also vote FOR, AGAINST or ABSTAIN on the other proposals.

If you vote ABSTAIN or WITHHOLD, your shares will be counted as present at the meeting for the purposes of determining a quorum.

If you ABSTAIN from voting on the proposals, your abstention has the same effect as a vote against those proposals. If you WITHHOLD authority to vote for one of the directors, this has the same effect as a vote against the director or directors for which you WITHHOLD your authority.

If you hold your shares in street name and do not provide voting instructions to your broker or nominee, your shares will not be voted on any proposal for which your broker does not have discretionary authority to vote. In this situation, a broker non-vote occurs. Shares that constitute broker non-votes will be present at the meeting for the purpose of determining a quorum, but are not considered as entitled to vote on the proposal in question.

What if I do not specify how I want my shares voted?

If you do not specify on your returned proxy card (or when giving your proxy by telephone or via the internet) how you want to vote your shares, we will vote them:

- FOR the election of all of the nominees for director; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Deluxe's independent accountants for the fiscal year ending December 31, 2006.

Can I change my vote?

Yes. You may change your vote and revoke your proxy at any time before it is voted at the meeting in any of the following ways:

- by sending a written notice of revocation to the Corporate Secretary of Deluxe;
- by submitting another properly signed proxy card at a later date to the Corporate Secretary;
- by submitting another proxy by telephone or via the internet at a later date; or
- by voting in person at the meeting.

Who pays the cost of proxy preparation and solicitation?

Deluxe pays for the cost of proxy preparation and solicitation, including the charges and expenses of brokerage firms or other nominees for forwarding proxy materials to beneficial owners. We have retained Georgeson Shareholder Communications, Inc., a proxy solicitation firm, to assist in the solicitation of proxies for a fee of approximately \$7,000, plus associated costs and expenses.

We are soliciting proxies primarily by mail. In addition, proxies may be solicited by telephone or facsimile, or personally by directors, officers and regular employees of Deluxe. These individuals receive no compensation (other than their regular salaries) for these services.

STOCK OWNERSHIP AND REPORTING

Director and Executive Officer Ownership Guidelines

The Board has established stock ownership guidelines for directors and executive officers. These guidelines set ownership targets for each director and executive officer, with the expectation that the target be achieved within five years of the time the individual first became a non-employee director or executive officer, whichever is applicable. The Board also maintains guidelines restricting a director's or executive officer's ability to sell shares received upon the exercise of options or vesting of other stock-based awards until they have achieved their ownership targets. The ownership target for non-employee directors is shares having a value of at least five (5) times the current Board retainer. Executive officers have targets based on a multiple of annual base salary. In connection with his interim appointment as Chief Executive Officer, Mr. Eilers' ownership target was maintained at three (3) times his annual base salary as Chief Operating Officer. All other executive officers have ownership targets of two (2) times base salary.

Security Ownership of Certain Beneficial Owners and Management

The following table shows, as of March 7, 2006 (unless otherwise noted), the number of shares of common stock beneficially owned by (1) each person who is known by Deluxe to beneficially own more than five percent of Deluxe's outstanding common stock, (2) each director and nominee for director of Deluxe, (3) each executive officer named in the Summary Compensation Table that appears on page 21 in this proxy statement, and (4) all of the current directors, nominees and executive officers of Deluxe as a group. Except as otherwise indicated, the shareholders listed in the table have sole voting and investment powers with respect to the common stock owned by them.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Clas |
|---|---|-----------------|
| Barclays ⁽¹⁾ | 6,522,240 | 12.87 |
| Allianz Global Investors ⁽²⁾ | 3,825,450 | 7.5 |
| NFJ Investment Group ⁽³⁾ | 2,653,800 | 5.2 |

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| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Clas |
|---|---|-----------------|
| Lawrence J. Mosner ⁽⁴⁾ | 413,700 | * |
| Ronald E. Eilers ⁽⁵⁾ | 239,574 | * |
| Douglas J. Treff ⁽⁶⁾ | 184,330 | * |
| Guy C. Feltz ⁽⁷⁾ | 84,034 | * |
| Richard L. Schulte ⁽⁸⁾ | 155,110 | * |
| Anthony C. Scarfone ⁽⁹⁾ | 116,775 | * |
| T. Michael Glenn ⁽¹⁰⁾ | 2,544 | * |
| Charles A. Haggerty ⁽¹¹⁾ | 19,760 | * |
| Isaiah Harris, Jr. ⁽¹²⁾ | 2,917 | * |
| William A. Hawkins, III ⁽¹³⁾ | 5,140 | * |
| Cheryl E. Mayberry McKissack ⁽¹⁴⁾ | 8,994 | * |
| Stephen P. Nachtsheim ⁽¹⁵⁾ | 20,200 | * |
| Mary Ann O Dwyer ⁽¹⁶⁾ | 6,191 | * |
| Martyn R. Redgrave ⁽¹⁷⁾ | 14,287 | * |
| All directors, nominees and executive officers as a group (15 persons) ⁽¹⁸⁾ | 912,424 | 1.8 |

* Less than 1%.

-
- (1) Based on a Schedule 13G filed with the Securities and Exchange Commission on January 26, 2006, reporting beneficial ownership as of December 31, 2005 by Barclays Global Investors, NA., (3,187,739 shares), Barclays Global Fund Advisors (2,945,776 shares) and Barclays Global Investors, Ltd. (388,725 shares). These entities (the Barclays Reporting Group) each have sole voting and dispositive power with respect to the number of shares indicated after their respective names and the members of the Barclays Reporting Group are, collectively, the beneficial owners of an aggregate of 6,522,240 shares of common stock.
 - (2) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2006 reporting beneficial ownership as of December 31, 2005, Allianz Global Investors Managed Accounts LLC has shared voting and dispositive power and is the beneficial owner of an aggregate of 3,825,450 shares of common stock.
 - (3) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2006 reporting beneficial ownership as of December 31, 2005, NFJ Investment Group L.P. has sole voting and dispositive power and is the beneficial owner of an aggregate of 2,653,800 shares of common stock.

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- (4) Includes 413,700 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days.
- (5) Includes 194,213 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 4,510 shares of restricted stock.
- (6) Includes 137,975 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 24,705 shares of restricted stock.
- (7) Includes 68,467 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days.
- (8) Includes 122,103 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 18,304 shares of restricted stock.
- (9) Includes 90,725 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 16,960 shares of restricted stock.
- (10) Includes 334 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 667 shares of restricted stock that vest in equal installments on the dates of Deluxe s next two annual shareholder meetings.
- (11) Includes 3,001 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 5,759 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Deluxe Corporation Non-Employee Director Stock and Deferral Plan (the Director Plan).
- (12) Includes 334 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 667 shares of restricted stock that vest in equal installments on the dates of Deluxe s next two annual shareholder meetings, and 1,250 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.
- (13) Includes 1,001 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 667 shares of restricted stock that vest in equal installments on the dates of Deluxe s next two annual shareholder meetings, and 2,806 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.
- (14) Includes 3,001 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days.
- (15) Includes 5,001 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 1,000 shares held by the Nachtsheim Family Trust, and 11,228 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.
- (16) Includes 1,001 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 334 shares of restricted stock that will vest on the date of Deluxe s next annual shareholder meeting, and 4,190 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.
- (17) Includes 3,001 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 8,286 restricted stock units received in lieu of director s fees pursuant to the deferral option under the Director Plan.
- (18) Includes 654,121 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 93,594 shares of restricted stock, and 33,159 restricted stock units received in lieu of directors fees pursuant to the deferral option under the Director Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and related regulations, require Deluxe's directors, executive officers and any persons holding more than 10% of Deluxe's common stock (collectively, Reporting Persons) to report their initial ownership of securities of Deluxe and any subsequent changes in that ownership to the Securities and Exchange Commission. The Commission has established specific due dates for these reports, and Deluxe is required to disclose in this proxy statement any failure of a Reporting Person to file a required report by the applicable due date. Based solely on a review of the copies of these reports and written representations from the executive officers and directors, we believe that all Reporting Persons timely filed all required reports for fiscal year 2005.

ITEM 1: ELECTION OF DIRECTORS**Nominees for Election**

There are currently nine individuals serving on the Board of Directors. As of the date of the meeting, the Board has set the size of the Board at nine directors and recommends that the individuals presented on the following pages be elected to serve on the Board until the 2007 annual meeting of shareholders. All of the nominees are current directors. In addition, with the exception of Mr. Eilers, who currently serves as Deluxe's Chief Executive Officer and therefore cannot be deemed independent, all nominees have been determined by the Board to meet the independence standards of the New York Stock Exchange (see the discussion of Director Independence in the BOARD STRUCTURE AND GOVERNANCE section of this proxy statement).

All of the nominees have consented to being named as a nominee in this proxy statement and have indicated a willingness to serve if elected. However, if any nominee becomes unable to serve before the election, the shares represented by proxies may be voted for a substitute designated by the Board, unless a contrary instruction is indicated on the proxy.

Consistent with his previously-announced plans to retire by the end of 2005, Lawrence Mosner did, in fact, retire and resign as Chairman of the Board of Directors and Chief Executive Officer on November 17, 2005. At the same time, the Board appointed Mr. Eilers to serve as Chief Executive Officer, on an interim basis, and Stephen P. Nachtshiem to serve as the Non-Executive Chairman of the Board. The Board of Directors has engaged an executive search firm to identify Mr. Eilers' successor as Chief Executive Officer, and Mr. Eilers has agreed to continue in his role as Chief Executive Officer and President until his successor is named or December 31, 2006, whichever is earlier. As a result, if the Board appoints a new Chief Executive Officer prior to the annual meeting, Mr. Eilers' intention is to resign and not stand for re-election to the Board, and the new Chief Executive Officer will instead be nominated for election. If the Board does not appoint a new Chief Executive Officer prior to the annual meeting, Mr. Eilers will stand for re-election and resign at such time as his replacement is appointed by the Board or December 31, 2006, whichever is earlier.

RONALD E. EILERS
Director Since August 2000.

Age 58

President and Chief Executive Officer of Deluxe

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Prior to being named Deluxe's President and Chief Executive Officer in November 2005, Mr. Eilers served as Deluxe's President and Chief Operating Officer, positions he assumed in December 2000. From August 1997 to December 2000, he was a Senior Vice President of Deluxe and managed its Paper Payment Systems business. From February 1997 to August 1997, Mr. Eilers was President of Deluxe Direct, Inc., a subsidiary of Deluxe, and from October 1996 to February 1997 was Vice President of Deluxe Direct, Inc.

T. MICHAEL GLENN

Age 50

Director Since August 2004.

Executive Vice President, Market Development and Corporate Communications, FedEx Corporation

Mr. Glenn has served as Executive Vice President of Market Development and Corporate Communications at FedEx Corporation (FedEx) since February 1998. He is responsible for the corporation's worldwide marketing and sales, strategic planning and corporate communications at its six subsidiaries, as well as overall management responsibility for the company's information technology function. He has been with FedEx since 1981.

CHARLES A. HAGGERTY

Age 64

Director Since December 2000.

Chairman (Retired), Western Digital Corporation

Mr. Haggerty was Chairman of the Board of Western Digital Corporation from July 1993 until his retirement in June 2000. Mr. Haggerty was also Chief Executive Officer of Western Digital from July 1993 to January 2000, and was President from June 1992 to July 1993. Western Digital is a manufacturer of hard disk drives. Mr. Haggerty is also a director of Beckman Coulter, Inc., Pentair, Inc. and Imation Corp.

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ISAIAH HARRIS, JR.

Age 53

Director Since August 2004.

President, BellSouth Advertising & Publishing Group, Inc.

In December 2004, Mr. Harris was named President of BellSouth Advertising & Publishing Group (A&P), a subsidiary of BellSouth Corporation (BellSouth). A&P is responsible for the marketing and publishing of The Real Yellow Pages® from BellSouth, and includes BellSouth Advertising & Publishing Corporation, The Berry Company, Stevens Graphics and IntelliVentures. He is also responsible for the corporation's Asian wireless telecommunications operations. He has been with BellSouth since 1997 serving in various executive positions, including President of BellSouth Enterprises from January to December 2004, President of Consumer Services from September 2000 to December 2003, and Vice President of Finance from January to September 2000. Mr. Harris also serves as a director of CIGNA Corporation.

WILLIAM A. HAWKINS, III
Director Since May 2004.

Age 52

President and Chief Operating Officer, Medtronic, Inc.

In May 2004, Mr. Hawkins was named President and Chief Operating Officer of Medtronic, Inc., a medical device company. From January 2002 until his appointment as Chief Operating Officer, Mr. Hawkins served as Senior Vice President of Medtronic, and President of its vascular business. Prior to joining Medtronic, Mr. Hawkins served as Chief Executive Officer of Novoste Corporation, also a medical device company, from 1998 to 2001.

CHERYL E. MAYBERRY McKISSACK
Director Since December 2000.

Age 50

President and Chief Executive Officer, Nia Enterprises, LLC

Nia Enterprises, LLC is an interactive communications company for research services and diversity marketing, which Ms. Mayberry McKissack founded in 2000. From November 1997 to November 2000, Ms. Mayberry McKissack served as Senior Vice President and General Manager of worldwide sales and marketing for Open Port Technology, Inc., a provider of internet infrastructure messaging solutions. Ms. Mayberry McKissack also serves as a director of Private Bancorp, Inc.

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STEPHEN P. NACHTSHEIM
Director Since November 1995.

Age 61

Non-Executive Chairman of Deluxe and Vice President (Retired), Intel Corporation

In November 2005, Mr. Nachtsheim was appointed Non-Executive Chairman of the Board of Deluxe. Prior to that, he served as the Board's Lead Independent Director, a role he had assumed in December 2003. Mr. Nachtsheim was a Corporate Vice President of Intel Corporation, a designer and manufacturer of integrated circuits, microprocessors and other electronic components, and the co-director of Intel Capital from 1998 until his retirement in August 2001.

MARY ANN O DWYER
Director Since October 2003.

Age 50

Senior Vice President Finance and Operations and Chief Financial Officer, Wheels, Inc.

Ms. O Dwyer joined Wheels, Inc. in 1991 and has been their Chief Financial Officer since 1994. She also has held the position of Senior Vice President Finance and Operations since 2000. Wheels, Inc. is a major provider of automotive fleet management services. Ms. O Dwyer also serves as a director of

Wheels, Inc.

MARTYN R. REDGRAVE
Director Since August 2001.

Age 53

Executive Vice President and Chief Administrative Officer, Limited Brands, Inc.

In March 2005, Mr. Redgrave became Executive Vice President and Chief Administrative Officer of Limited Brands, Inc., one of the world's leading personal care, beauty, intimate apparel and apparel specialty retailers. Prior to joining Limited Brands, Mr. Redgrave served for eleven years as the Executive Vice President-Finance and Chief Financial Officer of Carlson Companies, Inc., a worldwide provider of hospitality, travel and marketing services.

The Board of Directors recommends that you vote FOR the election of each nominee named above.

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BOARD STRUCTURE AND GOVERNANCE

Board Oversight and Director Independence

Deluxe's business, property and affairs are managed under the general direction of our Board of Directors. In providing this oversight, the Board adheres to a set of Corporate Governance Guidelines designed to ensure that the Board has access to relevant information, and is structured and operates in a manner allowing it to exercise independent business judgment. The complete text of Deluxe's Corporate Governance Guidelines is posted on the Investor Relations page of our website at www.deluxe.com under the "Corporate Governance" caption.

A critical component of our corporate governance philosophy is that a majority of our directors, and preferably a substantial majority, be individuals who meet strict standards of independence, meaning that they have no relationship with Deluxe, directly or indirectly, that could impair their ability to make objective and informed judgments regarding all matters of significance to Deluxe and its shareholders. The listing standards of the New York Stock Exchange (NYSE) require that a majority of our directors be independent, and that our Corporate Governance, Audit and Compensation Committees be comprised entirely of independent directors. In order to be deemed independent, a director must be determined by the Board to have no material relationship with Deluxe other than as a director. In accordance with the NYSE listing standards, our Board has adopted formal Director Independence Standards setting forth the specific criteria by which the independence of our directors will be determined, including restrictions on the nature and extent of any affiliations directors and their immediate family members may have with Deluxe, its independent accountants, or any commercial or not-for-profit entity with which Deluxe has a relationship. Consistent with regulations of the Securities and Exchange Commission (SEC), our Director Independence Standards also prohibit Audit Committee members from accepting, directly or indirectly, any consulting, advisory or other compensatory fee from Deluxe, other than in their capacity as Board or committee members. The complete text of our Director Independence Standards is attached as Appendix A to this proxy statement and also is posted on the Investor Relations page of our website at www.deluxe.com under the "Corporate Governance" caption.

The Board has determined that every director and nominee, with the exception of Mr. Eilers, satisfies our Director Independence Standards. The Board also has determined that every member of its Corporate Governance,

Audit and Compensation Committees is an independent director.

Meetings and Committees of the Board of Directors

There were eight (8) meetings of the Board of Directors in 2005, five (5) of which were regular meetings and three (3) of which were special meetings. Each director attended, in person or by telephone, at least 75% of the aggregate of all meetings of the Board and its committees on which he or she served during the year. It also is our policy that directors attend our annual shareholder meetings, and all such directors are expected to be in attendance at this year's meeting. Nine of the ten directors then serving on the Board attended last year's annual meeting of shareholders.

The Board of Directors has four standing committees:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee
- Finance Committee

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Each of the Board committees has a written charter, approved by the Board, establishing the authority and responsibilities of the committee. Each committee's charter is posted on the Investor Relations page of our website at www.deluxe.com under the Corporate Governance caption. A copy of each charter is available in print free of charge to any shareholder who requests it. The following tables provide a summary of each committee's responsibilities, the number of meetings of each committee during the last fiscal year and the names of the directors currently serving on each committee.

Audit Committee

Responsibilities

- Appoints and replaces the independent accountants, subject to ratification by our shareholders, and oversees the work of the independent accountants.
- Pre-approves all auditing services and permitted non-audit services to be performed by the independent accountants, including related fees.
- Reviews and discusses with management and the independent accountants our annual audited financial statements and recommends to the Board whether the audited financial statements should be included in Deluxe's Annual Report on Form 10-K.
- Reviews and discusses with management and the independent accountants our quarterly financial statements and the associated earnings news releases.
- Reviews and discusses with management and the independent accountants significant reporting issues and judgments relating to the preparation of our financial statements, including the adequacy of internal controls.
- Reviews and discusses with the independent accountants our critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles that have been discussed with

Number of meetings in 2005: 12

Directors who serve on the committee:

Martyn R. Redgrave, Chair
 Isaiah Harris, Jr.
 Mary Ann O'Dwyer
 Cheryl E. Mayberry McKissack

management, and other material written communications between the independent accountants and management.

- Discusses with management Deluxe's major financial risk exposures.
- Oversees the work of our internal auditors.
- Reviews the effectiveness of Deluxe's legal and ethical compliance programs and maintains procedures for receiving, retaining and handling complaints by employees regarding accounting, internal controls and auditing matters.

Compensation Committee

Responsibilities

- Develops our executive compensation philosophy.
- Evaluates and recommends incentive compensation plans for executive officers and other key managers, and all equity-based compensation plans, and oversees the administration of these and other employee compensation and benefit plans.
- Reviews and approves corporate goals and objectives relating to the CEO's compensation, leads an annual evaluation of the CEO's performance in light of those goals and objectives, and determines the CEO's compensation based on this evaluation.
- Reviews and approves other executive officers' compensation.
- Establishes incentive compensation goals and performance measurements applicable to our executive officers.

Number of meetings in 2005: 7

Directors who serve on the committee:

Charles A. Haggerty, Chair
T. Michael Glenn
William A. Hawkins, III
Stephen P. Nachtsheim

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Corporate Governance Committee

Responsibilities

- Reviews and recommends the size and composition of the Board, including the mix of management and independent directors.
- Establishes criteria and procedures for identifying and evaluating potential Board candidates.
- Reviews nominations received from the Board or shareholders, and recommends candidates for election to the Board, after consultation with the CEO.
- Establishes policies and procedures to ensure the effectiveness of the Board, including policies regarding term limits, review of qualifications of incumbent directors, and conflicts of interest.
- Establishes guidelines concerning the conduct and format of Board meetings.
- Oversees the annual assessment of the Board's performance.
- In consultation with the CEO, reviews and recommends to the Board the amount and form of all compensation paid to directors.
- Recommends to the Board the size, composition and responsibilities of all Board committees.

Number of meetings in 2005: 4

Directors who serve on the committee:

Cheryl E. Mayberry McKissack,
Chair
Isaiah Harris, Jr.
William A. Hawkins, III
Stephen P. Nachtsheim

- Reviews and recommends candidates for executive officer positions and monitors management succession plans developed by the CEO.
- Develops and recommends corporate governance guidelines, policies and procedures.

Finance Committee

Responsibilities

- Evaluates acquisitions, divestitures and capital projects in excess of \$5 million, and reviews other material transactions outside the scope of normal on-going business activity.
- Reviews and approves the Company's annual financing plans, as well as credit facilities maintained by the Company.
- Reviews and recommends policies concerning corporate finance matters, including capitalization, investment of assets and debt/equity guidelines.
- Reviews and recommends dividend policy and approves declarations of regular shareholder dividends.
- Reviews and makes recommendation to the Board regarding financial strategy and proposals concerning the sale, repurchase or split of Deluxe securities.

Number of meetings in 2005: 6

Directors who serve on the committee:

Mary Ann O Dwyer, Chair
Charles A. Haggerty
T. Michael Glenn
Martyn R. Redgrave

Corporate Governance Principles

As indicated above, our Board has adopted a set of Corporate Governance Guidelines to assist it in carrying out its oversight responsibilities. These Guidelines address a broad range of topics, including director qualifications, director nomination processes, term limits, Board and committee structure and process, Board evaluations, director education, CEO evaluation, management succession planning and conflicts of interest. The complete text of the Guidelines is posted on the Investor Relations page of our website at www.deluxe.com under the Corporate Governance caption. A copy of the Guidelines is available in print free of charge to any shareholder who requests it.

Code of Ethics and Business Conduct

All of our directors and employees, including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other senior executives, are required to comply with our Code of Ethics and Business Conduct (Code of Ethics) to help ensure that our business is conducted in accordance with the highest standards of legal and ethical behavior. Our Code of Ethics requires strict adherence to the letter and spirit of all laws and regulations applicable to our business and covers all areas of professional conduct, including customer relationships, respect for co-workers, conflicts of interest, insider trading, the integrity of our financial recordkeeping and reporting, and the protection of our intellectual property and confidential information. Employees are required to bring any violations and suspected violations of the Code of Ethics to Deluxe's attention through management or Deluxe's law department, or by using our confidential compliance Hotline.

The full text of our Code of Ethics is posted on the Investor Relations page of our website at www.deluxe.com under the Corporate Governance caption. The Code of Ethics is available in print free of charge to any shareholder who requests it.

Board Composition and Qualifications

Our Corporate Governance Committee oversees the process for identifying and evaluating candidates for the Board of Directors. Directors and nominees for director should be qualified individuals with diverse backgrounds who possess the experience and knowledge to enable them to contribute effectively to the evaluation of our business strategies and to the Board's oversight role. The Corporate Governance Committee believes that the predominance of Board members should have a background in business and should include both actively employed and retired senior corporate officers, and that directors should range in age so as to maintain a sound balance of board tenure and experience, as well as staggered retirement dates.

The Board of Directors has established the following specific guidelines for nominees to the Board:

- A majority of the Board must be comprised of independent directors, the current standards for which are discussed above under Board Oversight and Director Independence.
- No non-employee nominee should be over the age of 67 on the date of their initial election to the Board, and no director should be nominated for reelection to the Board after his or her 72nd birthday.
- Non-employee directors may not be nominated for re-election to the Board following the twelfth anniversary of their initial election to the Board, with certain exceptions.
- A non-employee director who ceases to hold the employment position held at the time of election to the Board, or who has a significant change in position, should offer to resign. The Corporate Governance Committee will then consider whether the change of status is likely to impact the director's qualifications and make a recommendation to the Board as to whether the resignation should be accepted.
- Management directors who terminate employment with Deluxe should offer to resign. The Board will then decide whether to accept the director's resignation, provided that no more than one former Chief Executive Officer should serve on the Board at any one time.

Other selection criteria used to evaluate potential candidates may include successful senior level business management experience or experience that fulfills a specific need, prior experience and proven accomplishment as a director of a public company, commitment to attending Board and committee meetings, a reputation for honesty and integrity, interest in serving the needs of shareholders, employees and communities in which we operate, and compatibility with existing directors.

Director Selection Process

All Board members are elected annually by our shareholders, subject to the Board's right to fill vacancies in existing or new director positions on an interim basis. Based on advice from the Corporate Governance Committee, each year the Board will recommend a slate of directors to be presented for election at the annual meeting of shareholders.

The Corporate Governance Committee will consider candidates submitted by members of the Board and our shareholders, and the Committee will review such candidates in accordance with our bylaws and applicable legal and regulatory requirements. Candidates nominated by shareholders are evaluated in accordance with the same criteria and using the same procedures as candidates submitted by Board members or the Chief Executive Officer.

When a vacancy or a new position on the Board needs to be filled, the Chief Executive Officer, in consultation with the Chair of the Corporate Governance Committee, will draft a profile of the candidate he or she believes would provide the most meaningful contributions to the Board as a whole. The profile will be submitted to the Corporate Governance Committee for approval. The Corporate Governance Committee has made it a practice in recent years to engage third-party search firms to assist it in identifying suitable candidates. The firm(s) selected, as well as the specific terms of the engagement, depend on the specific search criteria established by the Committee. Members of

the Board also are given the opportunity to submit names of potential candidates based on the profile developed. Each candidate will be subject to an initial screening process after which the Corporate Governance Committee will select the candidates that it wishes to interview. The Chair of the Board, Chief Executive Officer and at least a majority of the Corporate Governance Committee will interview each candidate and, concurrently with the interviews, the candidate will confirm his or her availability for regularly scheduled Board and committee meetings. The Committee will also assess each candidate's potential conflicts of interest. The Committee will review the interviewers' reports and recommendations, and make the final determination as to which candidates will be recommended for election at the next Board meeting or annual meeting of shareholders.

Our bylaws stipulate that if a shareholder wishes to nominate a candidate at the annual meeting of shareholders, the shareholder must give written notice of the nomination to our Chief Executive Officer or Corporate Secretary no later than the deadline for submitting shareholder proposals for the applicable annual meeting. The shareholder must attend the meeting with the candidate and propose the candidate's nomination for election to the Board at the meeting. The shareholder's notice must set forth as to each nominee (1) the name, age, business address and residence address of the person, (2) the principal occupation or employment of the person, (3) the number of shares of our stock owned by the person, (4) the written and acknowledged statement of the person that such person is willing to serve as a director, and (5) any other information relating to the person that would be required to be disclosed in a solicitation of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, if the candidate had been nominated by or on behalf of the Board. No shareholders submitted director nominations in connection with this year's meeting. Any shareholders desiring to present a candidate at the 2007 annual meeting of shareholders must do so prior to November 10, 2006.

Non-Executive Chairman; Executive Sessions

Prior to November 17, 2005, Stephen P. Nachtsheim served as the Board's Lead Independent Director. Effective November 17, 2005, the Board elected Mr. Nachtsheim as the Non-Executive Chairman of the Board, to serve until such time as a new Chair is elected by the Board. Concurrently with this election, the Board determined that it no longer needed a director to serve in the role of Lead Independent Director for so long as a non-executive director serves as Chair of the Board. Accordingly, the duties of the Lead Independent Director, which included moderating meetings or executive sessions of the independent directors, and acting as the principal liaison between the independent directors and the Chief Executive Officer with respect to Board governance issues, have now been incorporated into Mr. Nachtsheim's duties as the Non-Executive Chairman. Our independent directors make it a practice to meet in executive session without management present at each Board meeting. Likewise, all Board committees regularly meet in executive session without management.

Communications with Directors

Any interested party having concerns about our governance or business practices, or otherwise wishing to communicate with our independent directors, may submit their concerns in writing to the Non-Executive Chairman of the Board or the independent directors as a group in the care of the office of the Corporate Secretary at Deluxe's headquarters.

Audit Committee Expertise; Complaint-Handling Procedures

In addition to meeting the independence requirements of the NYSE and the SEC, all members of the Audit Committee have been determined by the Board to meet the financial literacy requirements of the NYSE's listing standards. The Board also has determined that at least one member of the Audit Committee, including Martyn Redgrave, the Committee Chair, is an audit committee financial expert as defined by SEC regulations.

In accordance with federal law, the Audit Committee has adopted procedures governing the receipt, retention and handling of complaints regarding accounting and auditing matters. These procedures include a means for employees to submit concerns on a confidential and anonymous basis, through Deluxe's compliance Hotline.

Director Compensation

Directors who are employees of Deluxe do not receive compensation for their service on the Board other than their compensation as employees. Non-employee directors each receive a \$50,000 annual Board retainer, payable quarterly. Prior to his appointment as Non-Executive Chairman on November 17, 2005, Mr. Nachtsheim served as Lead Independent Director, and received an incremental \$20,000 annualized retainer, payable quarterly. Upon assuming the additional responsibilities as Non-Executive Chairman, this incremental retainer was increased to \$75,000.

In order to fairly compensate non-employee directors for their service on Board committees, the elements and responsibilities of which will fluctuate from time to time, committee members are paid fees for each committee meeting attended, with the chair of each committee also receiving an annual retainer for serving as the chair. For 2005, the committee fee structure was as follows:

| | Audit Committee | Other Standing Committees |
|-------------------------------|--------------------|------------------------------|
| | _____ | _____ |
| Chair Retainer | \$15,000 | \$5,000 |
| In-Person Meeting Attendance | \$ 2,000 | \$1,500 |
| Telephonic Meeting Attendance | \$ 1,000 | \$ 750 |

Non-employee directors also receive \$1,500 for each approved site visit and director education program attended, up to a maximum of five per year, in the aggregate. Directors also may receive additional compensation for the performance of duties assigned by the Board or its committees that are considered beyond the scope of the ordinary responsibilities of directors or committee members. While no directors received compensation in 2005 for such extraordinary duties, it is anticipated that directors serving on the CEO search subcommittee appointed by the Corporate Governance Committee will receive additional compensation, as may be approved by the Board, for their services on such subcommittee.

Deluxe maintains a Non-Employee Director Stock and Deferral Plan (the Director Plan), which was approved by shareholders as part of Deluxe's 2000 Stock Incentive Plan, as amended (the Stock Incentive Plan). The purpose of the Director Plan is to provide an opportunity for non-employee directors to increase their ownership of Deluxe's common stock and thereby align their interest in the long-term success of Deluxe with that of other shareholders. Under the Director Plan, each non-employee director must irrevocably elect to receive, in lieu of cash, shares of common stock having a fair market value equal to at least 50% of his or her annual cash retainer and meeting fees. The shares of common stock receivable pursuant to the Director Plan are issued quarterly or, at the option of the director, credited to

the director in the form of deferred restricted stock units. These restricted stock units vest and are converted into shares of common stock on the earlier of the tenth anniversary of February 1st of the year following the year in which the non-employee director ceases to serve on the Board or such other objectively determinable date as is elected by the director in his or her deferral election (for example, upon termination of service as a director). Each restricted stock unit entitles the holder to receive dividend equivalent payments equal to the dividend payment on one share of common stock. Any restricted stock units issued pursuant to the Director Plan will vest and be converted into shares of common stock in connection with certain defined changes of control of Deluxe. All shares of common stock issued pursuant to the Director Plan are issued under Deluxe's Stock Incentive Plan and must be held by the non-employee director for a minimum period of six months from the date of issuance.

Each new non-employee director elected to the Board receives a one-time grant of 1,000 shares of restricted stock under the Stock Incentive Plan as of the date of his or her initial election to the Board. These initial grants vest in equal installments on the dates of Deluxe's annual shareholder meetings in each of the three years following the date of grant, provided that the director remains in office immediately following the annual meeting, and also vest immediately upon a non-employee director's retirement from the Board in accordance with Deluxe's policy with respect to mandatory retirement.

Under the terms of the Stock Incentive Plan, non-employee directors also are eligible to receive other equity-based awards to further align their interests with shareholders and assist them in achieving and maintaining their established share ownership targets. Any stock options granted to non-employee directors must have an exercise price equal to the fair market value of Deluxe's common stock on the date of grant and otherwise are subject to the same material terms and conditions applicable to options then being awarded to executive officers. All non-employee directors elected at the 2005 annual shareholders meeting were granted 1,000 options upon their election. The amount of future grants will be at the discretion of the Compensation Committee (in consultation with the Corporate Governance Committee), but no more than 5,000 options may be granted to a non-employee director in any one year.

Non-employee directors who were elected to the Board prior to October 1997 also are eligible for certain retirement payments under the terms of a Board retirement plan that has since been replaced by the Director Plan. Under this predecessor plan, non-employee directors with at least five years of Board service who retire, resign or otherwise are not nominated for re-election are entitled to receive an annual payment equal to the annual Board retainer in effect on July 1, 1997 (\$30,000 per year) for the number of years during which he or she served on the Board prior to October 31, 1997. In calculating a Director's eligibility for benefits under this plan, partial years of service are rounded up to the nearest whole number. Retirement payments do not extend beyond the lifetime of the retiree and are contingent upon the retiree's remaining available for consultation with management and refraining from engaging in any activity in competition with Deluxe. We have one current director, Mr. Nachtsheim, who is eligible for benefits under this plan.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Committee Report on Executive Compensation

Introduction

Deluxe is committed to an executive compensation approach that attracts, motivates and retains the best possible executive talent for the benefit of our shareholders, supports Deluxe's business objectives, and aligns the interests of the executive officers with the long-term interests of our shareholders. We believe these objectives are achieved by:

- Continually evaluating the competitiveness of our compensation programs relative to other comparable organizations;
- Emphasizing performance-based pay through annual incentive opportunities that are leveraged based on the achievement of specific business objectives;

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- Providing equity-based incentives that promote long-term shareholder value creation;
- Delivering the majority of total compensation through performance-based pay linked to financial results and shareholder returns; and
- Ensuring that the executive officers hold meaningful equity stakes in Deluxe.

The Compensation Committee of the Board of Directors (sometimes referred to in this report as the Committee) has responsibility for our executive compensation philosophy and the design of executive compensation programs. The Committee also determines the compensation paid to the Chief Executive Officer and reviews and approves compensation paid to other executive officers. The Committee is composed entirely of independent directors as defined in the New York Stock Exchange corporate governance rules.

The Committee has engaged, and regularly meets with, independent compensation consultants regarding executive compensation levels and practices. For 2005, the Committee commissioned a competitive market review of Deluxe's executive compensation program and, due to the consolidation within the previously used printing and publishing peer group which reduced the number of companies to seven, a review of an appropriate comparator group. After extensive study and deliberation of an appropriate peer group, the Committee selected the S&P 400 MidCap Index, which includes Deluxe, as the primary benchmark for establishing the appropriate mix of compensation elements, overall compensation levels, and benefit practices within Deluxe. In addition, data was drawn from multiple published surveys of broader general industry practices, with a particular focus on industrial companies with revenues comparable to Deluxe.

Executive Officer Compensation Program

Base salaries The Committee annually reviews the base salaries of Deluxe's executive officers. During 2005, base salaries of our executive officers were generally set at or near the 50th percentile of salaries paid to executive officers in similar positions. For the most recent fiscal year, the executive officers received market adjustments and/or base salary increases averaging 3.3%.

Annual incentive compensation Executive officers and other management employees selected by the Committee participate in Deluxe's Annual Incentive Plan, which has been approved by the shareholders. The 2005 target amounts approved by the Committee under the Annual Incentive Plan were intended to provide annual cash compensation (i.e., base salary plus bonus) approximating the median of the cash compensation offered to executive officers in similar positions. Bonuses earned may exceed the target amount if performance goals are exceeded, and are less than the target amount if the performance goals are not fully attained, with no bonus payouts if Deluxe's performance is below certain minimum threshold levels.

For the executive officers, the two performance factors that were considered in determining incentive compensation for 2005 under the Annual Incentive Plan were: Deluxe Value Added (DVA), a criterion designed to measure Deluxe's financial return in excess of a charge for capital employed; and revenues. For those executives not having specific business unit responsibilities, 50% of their incentive opportunity was linked to Deluxe's consolidated DVA and 50% to consolidated revenue. For Mr. Schulte and Mr. Feltz, who had specific business unit responsibilities, 50% of the incentive opportunity was linked to the combined revenues of the Financial Services and Small Business Services units, with the remainder being linked to Deluxe's consolidated DVA in Mr. Schulte's case, and 35% to Deluxe's consolidated DVA and 15% to DVA and revenues of the Direct Checks unit in Mr. Feltz's case. Deluxe's DVA and revenue performance were below the established performance goals for 2005. With the exception of Mr. Feltz, there were no payments made to the executive officers under the Annual Incentive Plan for 2005. Mr. Feltz's payment was 12.9% of the targeted award level based on the performance of the Direct Checks business unit.

Under the terms of the Annual Incentive Plan, executive officers and other eligible participants may elect to receive all or a portion of their annual incentive compensation in the form of restricted stock units. Individuals making such elections for 2005 received matching restricted stock units valued at 50% of the amount of foregone cash bonus, which units vest two years from the date of grant. As indicated above,

Mr. Feltz was the only executive paid a bonus for 2005, and the value of the matching restricted stock units awarded to him in accordance with his election is reflected in the Bonus column of the Summary Compensation Table.

For 2006, operating income and revenue will serve as the primary performance measures for the Annual Incentive Plan. The Annual Incentive Plan will have an equal weighting between operating income and revenue targets. In addition, for some business units, a greater emphasis will be placed on Deluxe's consolidated performance versus individual business unit performance. The Committee believes these measures align incentive payments with Deluxe's business strategy.

Long-term incentive compensation In 2004, Deluxe adopted a long-term incentive strategy based on a combination of stock options, restricted stock and long-term performance shares. All executive officers, together

with other designated key employees, received grants of performance shares, stock options and restricted stock in 2005. The Compensation Committee believes this compensation strategy achieves several critical objectives, including:

- Supporting and rewarding the achievement of Deluxe's long-term strategy and objectives;
- Encouraging decisions and behaviors that will increase long-term shareholder value;
- Reinforcing the pay-for-performance orientation of the overall executive compensation program;
- Allowing Deluxe to attract and retain key executive talent by providing competitive incentive and total compensation opportunities; and
- Promoting share ownership and facilitating achievement of the ownership guidelines.

The predominant long-term incentive component in 2005 was performance shares. This component provides executive officers and other designated key employees with the opportunity to earn shares of Deluxe stock based on the achievement of three-year performance goals. For performance shares awarded in 2005, the goals consist of a combination of DVA and Deluxe's total shareholder return relative to a peer group of printing and publishing industry companies. If, over the three-year performance period, Deluxe achieves the three-year target DVA goal, and Deluxe's total shareholder return is at the 60th percentile relative to the peer group, eligible employees will earn their target performance share award. If performance exceeds the target performance levels the eligible employees could earn up to 200% of the target performance share awards, while performance below target would result in eligible employees earning fewer performance shares than the target award. If Deluxe's DVA and total shareholder return performance are below a certain threshold, no performance shares will be earned.

Option and restricted stock grants were also made in 2005. The options were granted at the fair market value on the date of grant, have a seven-year term and vest in equal installments over three years. The restricted stock awards vest at the end of three years.

The target value of performance share, stock option and restricted stock grants for 2005 approximates the median of the long-term incentive compensation provided to executive officers of comparable organizations.

In 2006, the long-term incentive plan strategy will consist of stock options and performance accelerated restricted stock. The acceleration component of the performance accelerated restricted stock will be measured on the achievement of a 2006 cash flow target. The Committee believes stock options and performance accelerated restricted stock will continue to achieve the critical long-term objectives, as outlined previously, while providing additional focus to align management actions to the long term strategy of the company and adding shareholder value.

Retirement programs Executive officers are eligible to participate in the same qualified retirement programs available to all Deluxe employees. The program consists of three components, including a defined contribution pension plan, an annual profit sharing plan under which contributions are made based on Deluxe's performance, and a 401(k) plan. Deluxe also has a non-qualified defined contribution plan which restores benefits lost under the qualified plans due to ERISA limits. 2005 retirement plan

contributions for the executive officers are reflected in the All Other Compensation column of the Summary Compensation Table.

Stock ownership Deluxe has established stock ownership guidelines for its directors and executive officers, and the Compensation Committee regularly reviews each director's and executive officer's progress toward attaining his or her ownership target. The current guidelines are summarized in the STOCK OWNERSHIP AND REPORTING section of this proxy statement and call for the targeted levels of ownership to be achieved within five years of the time the individual became a director or executive officer. The Committee most recently reviewed each individual's

progress in October 2005, and as of that date, all directors and executive officers had either achieved or were on track to achieve their targets within the prescribed time period.

In addition to the stock ownership guidelines, Deluxe has adopted share retention and holding period requirements which apply to all directors and executive officers. Under this policy, individuals who have not achieved their ownership targets must retain 75% of the net shares (i.e., shares remaining after exercise costs and applicable taxes are covered) upon the exercise of stock options and vesting of other equity awards, and are required to hold the shares until the ownership targets are met.

2005 CEO Compensation

Consistent with his announcement at the beginning of 2005, Mr. Mosner retired from Deluxe and resigned his position as Chairman of the Board and Chief Executive Officer (CEO) effective November 17, 2005, at which time Mr. Eilers assumed the position of CEO for the Company. Mr. Eilers' role as CEO is interim in nature, as he also has announced plans for his retirement, and the Company has entered into a CEO Transition Agreement with Mr. Eilers that is described elsewhere in this proxy statement.

For 2005, Mr. Mosner received base compensation of \$551,600, proportionate to his 2004 annualized base compensation of \$625,000. Mr. Mosner did not earn incentive compensation under the Annual Incentive Plan in 2005.

As did the Company's other executives, in April, 2005, Mr. Mosner received a long-term incentive grant consisting of performance shares, stock options and restricted stock. Mr. Mosner was awarded a seven-year, non-qualified stock option to purchase 8,700 shares of Deluxe common stock, exercisable at \$39.63 per share, the fair market value of a share of Deluxe common stock on the date of grant. Mr. Mosner also received a grant of 1,800 restricted shares with a fair market value of \$71,334 on the date of grant. Given that Mr. Mosner's retirement was recognized as a qualified retirement under the terms of the applicable award agreements, these options and restricted shares vested fully upon his retirement. In addition, Mr. Mosner received a target award of 11,970 performance shares, which gave him the opportunity to earn shares of stock based on the Company's three-year cumulative DVA performance and total shareholder return versus a peer group of comparable printing and publishing industry companies. Because Mr. Mosner retired within a year of the award of the performance shares, the award lapsed and Mr. Mosner is no longer eligible to receive any payout under this award.

For 2005, Mr. Eilers received base compensation of \$471,212, which included an increase in base compensation to the same level as Mr. Mosner was paid upon assuming the CEO position. Mr. Eilers did not earn incentive compensation under the Annual Incentive Plan in 2005.

In April, 2005, Mr. Eilers received a long-term incentive grant consisting of performance shares, stock options and restricted stock. Mr. Eilers was awarded a seven-year, non-qualified stock option to purchase 11,340 shares of Deluxe common stock, exercisable at \$39.63 per share, the fair market value of a share of Deluxe common stock at the date of grant. The option vests in three equal installments commencing on April 27, 2006. Mr. Eilers also received a grant of 2,340 restricted shares with a fair market value of \$92,734 on the date of the grant. Although Mr. Eilers' restricted stock grant is subject to the same three-year vesting provision contained in all such awards granted in 2005, these shares would be subject to accelerated vesting upon Mr. Eilers' qualified retirement under his Transition Agreement. In addition, Mr. Eilers received a target award of 5,220 performance shares, which give him the opportunity to earn shares of stock based on the Company's three-year cumulative DVA performance and total shareholder return versus a peer group of comparable printing and publishing industry companies.

Compliance with Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility of compensation in excess of \$1 million paid to certain executive officers, unless such compensation qualifies as performance-based compensation. Among other things, in order to be deemed performance-based compensation for Section 162(m) purposes, the compensation must be based on the achievement of pre-established, objective performance criteria

and must be pursuant to a plan that has been approved by Deluxe's shareholders. The Compensation Committee expects that all compensation paid in 2005 to the executive officers under the plans and programs described above will qualify for deductibility, either because the compensation is below the threshold for non-deductibility provided in Section 162(m) or because the payment of such compensation complies with the provisions of Section 162(m).

The Compensation Committee believes that it is important for Deluxe to continue to be able to take all available tax deductions with respect to the compensation paid to its executive officers. Therefore, Deluxe has taken such actions as may be necessary under Section 162(m) to continue to qualify for all available tax deductions related to executive compensation.

MEMBERS OF THE COMPENSATION COMMITTEE

Charles A. Haggerty, Chair

T. Michael Glenn

William A. Hawkins, III

Stephen P. Nachtsheim

Summary Compensation Table

The following table shows the cash and non-cash compensation for each of the last three fiscal years awarded to or earned during the period by the individuals who served as Deluxe's Chief Executive Officer during any part of 2005, and the next four most highly compensated executive officers for 2005 (collectively, the Named Executive Officers).

SUMMARY COMPENSATION TABLE

| <i>Name and Principal Position</i> | <i>Year</i> | <i>Annual Compensation</i> | | | <i>Long-Term Compensation Awards</i> | | <i>All Other Compensation⁽⁴⁾</i> |
|---|-------------|----------------------------|----------------------------|--|--|---|---|
| | | <i>Salary</i> | <i>Bonus⁽¹⁾</i> | <i>Other Annual Compensation⁽²⁾</i> | <i>Restricted Stock Awards⁽³⁾</i> | <i>Securities Underlying Options/SARs</i> | |
| Lawrence J. Mosner ⁽⁵⁾ Chairman and Chief Executive Officer | 2005 | \$ 551,600 | \$ 0 | \$ 36,158 | \$ 71,334 | 8,700 | \$ 28,364 |
| | 2004 | \$ 625,000 | \$ 1,603,125 | \$ 32,119 | \$ 220,220 | 25,000 | \$ 61,149 |
| | 2003 | \$ 625,000 | \$ 421,875 | \$ 34,363 | \$ 0 | 200,000 | \$ 49,176 |

SUMMARY COMPENSATION TABLE

| | | | | | | | |
|---|------|------------|------------|-----------|-----------|---------|-----------|
| Ronald E. Eilers ⁽⁵⁾ | 2005 | \$ 471,200 | \$ 0 | \$ 31,158 | \$ 92,734 | 11,340 | \$ 25,148 |
| President and Chief Executive Officer | 2004 | \$ 450,000 | \$ 692,550 | \$ 31,158 | \$ 91,900 | 10,650 | \$ 52,165 |
| Douglas J. Treff | 2003 | \$ 450,000 | \$ 164,025 | \$ 29,363 | \$ 0 | 110,000 | \$ 42,243 |
| Senior Vice President and Chief Financial Officer | 2005 | \$ 312,200 | \$ 0 | \$ 20,835 | \$ 46,763 | 5,670 | \$ 20,787 |
| | 2004 | \$ 292,400 | \$ 350,002 | \$ 20,835 | \$ 47,644 | 5,400 | \$ 35,921 |
| | 2003 | \$ 283,300 | \$ 84,150 | \$ 29,363 | \$ 0 | 36,000 | \$ 28,791 |
| Guy C. Feltz | 2005 | \$ 300,000 | \$ 29,025 | \$ 30,598 | \$ 44,584 | 5,400 | \$ 18,300 |
| President-Deluxe Financial Services and Direct Checks | 2004 | \$ 283,300 | \$ 355,187 | \$ 30,598 | \$ 47,644 | 5,400 | \$ 32,832 |
| | 2003 | \$ 283,300 | \$ 19,900 | \$ 29,363 | \$ 0 | 40,000 | \$ 34,204 |
| Richard L. Schulte | 2005 | \$ 300,000 | \$ 0 | \$ 15,000 | \$ 49,538 | 6,000 | \$ 22,066 |
| President-Small Business Services | 2004 | \$ 267,500 | \$ 306,020 | \$ 18,961 | \$ 36,167 | 4,155 | \$ 35,721 |
| | 2003 | \$ 220,000 | \$ 105,243 | \$ 27,324 | \$ 0 | 30,000 | \$ 26,339 |
| Anthony C. Scarfone | 2005 | \$ 264,200 | \$ 0 | \$ 31,158 | \$ 40,819 | 4,800 | \$ 21,143 |
| Senior Vice President, General Counsel and Secretary | 2004 | \$ 250,000 | \$ 267,188 | \$ 31,158 | \$ 43,621 | 4,800 | \$ 31,028 |
| | 2003 | \$ 242,100 | \$ 73,575 | \$ 29,363 | \$ 0 | 30,000 | \$ 26,171 |

(1) Bonus compensation is earned under Deluxe's Annual Incentive Plan. Recipients of awards under the Annual Incentive Plan may elect to receive all or a portion of their incentive compensation in the form of restricted stock units. If an election is made to receive restricted stock units, the amount of the cash foregone is increased (or matched) at a rate established by the Compensation Committee in determining the number of units awarded. For 2004 and 2005 the match rate was 50%, and for 2003 the match rate was 25%. For awards earned during 2005, restricted stock units were granted on January 24, 2006 in lieu of cash compensation to Mr. Feltz as follows: 1,022 units (\$29,025). For awards earned during 2004, restricted stock units were granted on January 25, 2005 in lieu of cash compensation as follows: 45,235 units (\$1,603,125) to Mr. Mosner; 19,541 units (\$692,550) to Mr. Eilers; 8,465 units (\$300,002) to Mr. Treff; 9,682 units (\$343,147) to Mr. Feltz; 5,978 units (\$211,860) to Mr. Schulte; and 4,523 units (\$160,313) to Mr. Scarfone. For awards earned during 2003, restricted stock units were granted on January 26, 2004 in lieu of cash compensation as follows: 9,973 units (\$421,875) to Mr. Mosner; 2,154 units (\$91,125) to Mr. Eilers; 904 units (\$38,250) to Mr. Treff; 868 units (\$36,713) to Mr. Schulte; and 966 units (\$40,875) to Mr. Scarfone. The imputed value of the

restricted stock units received by such persons is included in the bonus compensation amounts shown above and is based on the closing price of the Company's common stock on the date of grant of such units (\$28.40 on January 24, 2006, \$35.44 on January 25, 2005, and \$42.30 on January 26, 2004). The units granted on January 24, 2006 and January 25, 2005 vest on the second anniversary of the date of the grant, and all other units vested on the anniversary date of grant. All grants are subject to acceleration in the event of the death, disability or approved retirement of the holder, and upon certain changes of control of the Company. If the employment of the holder is terminated without cause prior to the vesting of the holder's restricted stock units, the holder will be entitled to receive a cash payment equal to the amount of incentive compensation foregone in exchange for such units (the "Base Amount"). If the holder voluntarily resigns prior to vesting of the units, they are entitled to receive a cash payment equal to the lesser of the Base Amount or the then current value of units attributable to the Base Amount. Following the vesting of a restricted stock unit, the holder thereof is entitled to receive one share of common stock for each restricted stock unit that vests. Prior to the vesting date, the holders receive

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dividend equivalent payments for each restricted stock unit equal to the dividend payment on one share of common stock at the time the corresponding dividend is paid to the Company's shareholders.

- (2) The Company provides a taxable cash allowance of \$15,000 per year to its executive officers (\$20,000 for the CEO) to cover expenses such as auto leases, business mileage, security systems, childcare, legal services, and personal excess liability insurance, which amounts are included in this column. Executive officers also are provided with financial counseling and tax preparation services at the Company's expense, which are valued for reporting purposes at incremental cost to the Company in accordance with SEC rules. The incremental cost of these benefits includes amounts paid to the service providers (which are capped at \$9,000 per year and are taxable to the executive), plus a tax gross-up. The amounts reported for each named executive in this column include the following:

| | Year | Financial Planning | Tax Preparation |
|---------------------|------|-----------------------|--------------------|
| Lawrence J. Mosner | 2005 | \$12,118 | \$4,040 |
| | 2004 | \$ 8,079 | \$4,040 |
| | 2003 | \$12,568 | \$1,795 |
| Ronald E. Eilers | 2005 | \$12,118 | \$4,040 |
| | 2004 | \$12,118 | \$4,040 |
| | 2003 | \$12,568 | \$1,795 |
| Douglas J. Treff | 2005 | \$0 | \$5,835 |
| | 2004 | \$0 | \$5,835 |
| | 2003 | \$12,568 | \$1,795 |
| Guy C. Feltz | 2005 | \$11,558 | \$4,040 |
| | 2004 | \$11,558 | \$4,040 |
| | 2003 | \$12,568 | \$1,795 |
| Richard L. Schulte | 2005 | \$0 | \$0 |
| | 2004 | \$0 | \$3,961 |
| | 2003 | \$10,529 | \$1,795 |
| Anthony C. Scarfone | 2005 | \$12,118 | \$4,040 |
| | 2004 | \$12,118 | \$4,040 |
| | 2003 | \$12,568 | \$1,795 |

- (3) Restricted stock awards were granted under our 2000 Stock Incentive Plan. The amounts shown in this column are based on the value of the Company's common stock on the date of the grant. Restricted stock vests three years after the date of grant, during which time dividends are paid on the stock at the same rate paid on our common stock to all shareholders. As of December 31, 2005, the aggregate number of shares of restricted stock held by the Named Executive Officers, and the value of such shares based on the closing price of our common stock as of that date (\$30.14), were as follows:

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Mr. Mosner, 7,000 shares (\$210,980); Mr. Eilers, 4,510 shares (\$135,931); Mr. Treff, 2,305 shares (\$69,473); Mr. Feltz, 2,250 shares (\$67,815); Mr. Schulte, 2,104 shares (\$63,415); and Mr. Scarfone, 2,060 shares (\$62,088).

- (4) All Other Compensation includes (a) contributions to qualified retirement plans, (b) amounts credited to a non-qualified, supplemental retirement plan (defined contribution and profit sharing allocations in excess of Employee Retirement Income Security Act of 1974 (ERISA) limitations) and (c) amounts credited to a non-qualified deferred compensation plan as benefit plan equivalents. For 2005, these amounts were as follows:

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for Mr. Mosner \$14,700, \$13,664 and \$0; for Mr. Eilers \$14,700, \$10,448 and \$0; for Mr. Treff \$14,700, \$6,087 and \$0; for Mr. Feltz \$14,700, \$3,600 and \$0; for Mr. Schulte \$14,700, \$7,366 and \$0; and for Mr. Scarfone \$14,700, \$6,443 and \$0. The qualified retirement plans referred to in clause (a) above, consisting of a defined contribution plan, 401(k) and profit sharing plan, and the non-qualified, supplemental retirement plan referred to in clause (b) above, provide that contributions vest when made or declared.

All other compensation for Mr. Mosner also includes interest accrued in a deferred compensation account attributable to an executive retention payment earned by Mr. Mosner in 2002 that is deemed above-market under applicable SEC rules as follows: for 2005, \$8,764; for 2004, \$7,603; and for 2003, \$6,564.

- (5) Effective November 17, 2005, Mr. Mosner retired from the Company and its Board, and Mr. Eilers was appointed Chief Executive Officer. Prior to being named CEO, Mr. Eilers was serving as the Company's President and Chief Operating Officer, positions he held since December 2000.

Stock Options

The following tables summarize options granted to and exercised during 2005 by the Named Executive Officers, as well as the value of all options held by these officers at the end of fiscal year 2005.

OPTION GRANTS IN LAST FISCAL YEAR

| Name | Individual Grants ⁽¹⁾ | | | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ⁽²⁾ | |
|---------------------|---|--|------------------------|-----------------|---|-----------|
| | Number of Securities Underlying Options Granted | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price | Expiration Date | 5% (\$) | 10% (\$) |
| Lawrence J. Mosner | 8,700 | 3.6% | \$39.63 | 04/27/12 | \$140,331 | \$327,120 |
| Ronald E. Eilers | 11,340 | 4.7% | \$39.63 | 04/27/12 | \$182,914 | \$426,384 |
| Douglas J. Treff | 5,670 | 2.4% | \$39.63 | 04/27/12 | \$91,457 | \$213,192 |
| Guy C. Feltz | 5,400 | 2.2% | \$39.63 | 04/27/12 | \$87,102 | \$203,040 |
| Richard L. Schulte | 6,000 | 2.5% | \$39.63 | 04/27/12 | \$96,780 | \$225,600 |
| Anthony C. Scarfone | 4,800 | 2.0% | \$39.63 | 04/27/12 | \$77,424 | \$180,480 |

- (1) All options were granted under the Deluxe Corporation 2000 Stock Incentive Plan, as amended. The Stock Incentive Plan requires that all options be granted at the fair market value of Deluxe's common

stock on the date of grant, and the plan prohibits re-pricing of options. The options are exercisable in cumulative installments of one-third on each anniversary of the date of grant, provided that the option holder is

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then employed by Deluxe. The vesting of all of the options is subject to acceleration in the event of the death, disability or qualified retirement of the option holder and each option will remain exercisable for a one-year period following death or disability, and for a three-year period following a qualified retirement, although no option may be exercised after the expiration of its originally scheduled term. In addition, the vesting of the options is subject to acceleration in the event of certain defined changes of control of Deluxe. If the employment of the holder is terminated by Deluxe without cause, the holder's options will remain exercisable for a three-month period following such termination, although no option may be exercised after the expiration of its term.

- (2) The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by the rules of the SEC and do not represent Deluxe's estimate or projection of Deluxe's future common stock prices. These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on future stock price performance and overall stock market conditions.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES**

| Name | Shares Acquired on Exercise | Value Realized (\$) | Number of Securities Underlying Unexercised Options at Fiscal Year End | | Value of Unexercised In-The-Money Options at Fiscal Year End ⁽¹⁾ | |
|---------------------|-----------------------------|---------------------|--|------------------------------|---|--------------------|
| | | | Exercisable | Unexercisable ⁽²⁾ | Exercisable (\$) | Unexercisable (\$) |
| Lawrence J. Mosner | 202,500 | 3,125,596 | 643,700 | 0 | 2,369,120 | 0 |
| Ronald E. Eilers | 0 | 0 | 150,216 | 55,107 | 0 | 0 |
| Douglas J. Treff | 0 | 0 | 122,285 | 21,270 | 829,854 | 0 |
| Guy C. Feltz | 0 | 0 | 68,467 | 22,333 | 0 | 0 |
| Richard L. Schulte | 0 | 0 | 109,718 | 18,770 | 444,670 | 0 |
| Anthony C. Scarfone | 0 | 0 | 77,525 | 18,000 | 355,691 | 0 |

- (1) The value of unexercised options at December 31, 2005 is determined by multiplying the difference between the exercise prices of the options and the closing price of Deluxe's common stock on the NYSE on Friday, December 30, 2005 (\$30.14 per share) by the number of shares underlying the options. Options with an exercise price in excess of \$30.14 per share have been valued at zero.

- (2) All of the unexercisable options described above will vest and become fully exercisable upon certain changes of control of Deluxe.

Long-Term Incentive Awards**LONG-TERM INCENTIVE PLANS AWARDS IN LAST FISCAL YEAR**

| Name | Number of shares, units or other rights (#) | Performance or other period until maturation or payout | Estimated future payouts under non-stock price-based plans | | |
|---------------------|---|--|--|------------|-------------|
| | | | Threshold (#) | Target (#) | Maximum (#) |
| Lawrence J. Mosner | 11,970 | 01/01/2005-12/31/2007 | 5,985* | 11,970* | 23,940* |
| Ronald E. Eilers | 5,220 | 01/01/2005-12/31/2007 | 2,610 | 5,220 | 10,440 |
| Douglas J. Treff | 2,600 | 01/01/2005-12/31/2007 | 1,300 | 2,600 | 5,200 |
| Guy C. Feltz | 2,475 | 01/01/2005-12/31/2007 | 1,238 | 2,475 | 4,950 |
| Richard L. Schulte | 2,750 | 01/01/2005-12/31/2007 | 1,375 | 2,750 | 5,500 |
| Anthony C. Scarfone | 2,225 | 01/01/2005-12/31/2007 | 1,113 | 2,225 | 4,450 |

* lapsed due to retirement

The awards set forth in the preceding table represent Performance Shares granted under the 2000 Stock Incentive Plan. Actual future payouts will depend on the achievement of pre-established performance criteria over a three-year period commencing on January 1, 2005. The two criteria established for the performance period are Deluxe Value Added (DVA), a criterion designed to measure the Company's financial return on capital employed in the business, and total shareholder return versus a peer group of companies, each of which carries a weighting of 50%. If the Company achieves the threshold level of performance, as determined by the Compensation Committee of the Board of Directors, Performance Shares pay out at designated levels based on actual performance in the form of one share of common stock for each Performance Share earned, together with a dividend equivalent payment equal to the dividends that would have been paid on that number of shares of common stock during the performance period. In the event an individual's employment is terminated involuntarily without cause, or due to death, disability or a qualified retirement, prior to completion of the performance period, but at least 12 months into the performance period, they will be entitled to a pro rata portion of any payout actually awarded for the performance period. In the event of certain changes in control of the Company, holders of Performance Shares immediately become entitled to a pro rata payout at the target award level. Given that Mr. Mosner retired less than 12 months into the performance period, his rights to receive any payout under these awards have lapsed.

Deferred Compensation Plan

Deluxe's Deferred Compensation Plan permits eligible employees to defer annually receipt of up to 100% of hiring bonuses and base salary, and up to 50% of any annual incentive payment or payments. In connection with this plan, Deluxe has created a non-qualified grantor trust (commonly known as a Rabbi Trust), through which Deluxe's obligations under the plan are funded. No assets are set aside for individual participants in the plan, and the trust assets remain subject to the claims of Deluxe's creditors. Amounts deferred under the plan are payable on the earliest to occur of a change in control of Deluxe, the participant's termination of employment, disability or death, or the date for payment selected by the participant unless a delay in payments is otherwise required by Section 409A of the Internal Revenue Code (Section 409A). Deferred amounts are credited with gains and losses based on the performance of deemed investment options selected by the participant. Deluxe may make additional contributions of benefit plan equivalents if the deferrals made by a participant under this Deferred Compensation Plan have the effect of reducing Deluxe's contributions to other compensation-based benefit plans. In 2005, the plan

was amended in compliance with Section 409A requirements. During fiscal year 2005, all of the Named Executive Officers participated in the plan.

Retention Agreements, Severance Agreements and Change of Control Arrangements

Executive Retention Agreements

On December 18, 2000, Deluxe entered into Executive Retention Agreements (the Retention Agreements) with each of the Named Executive Officers (sometimes referred to below simply as Executives). Upon his retirement in November, 2005, Mr. Mosner's Retention Agreement lapsed, and therefore is no longer in effect. The Retention Agreements are intended to ensure that Deluxe will receive the continued attention and service of the Executives notwithstanding the possibility or occurrence of a change of control of Deluxe, and to encourage the full support and participation of the Executives in formulating and implementing Deluxe's strategic objectives. The Retention Agreements are designed to diminish the distractions that could be caused by personal uncertainties and risks associated with changes of control of Deluxe by providing the Executives with assurances regarding their compensation and benefits expectations under such circumstances.

Under the Retention Agreements, each of the Executives agrees to remain in the employ of Deluxe, and Deluxe agrees to continue to employ each Executive, until the second anniversary following a Change of Control of Deluxe (as such term is defined in the Retention Agreements). During such two-year period (the Employment Period), each Executive is entitled to maintain a position, authority, duties and responsibilities at least commensurate with the most significant of those held by the Executive during the 180-day period prior to the date (the Effective Date) of the Change of Control. The annual base salary of an Executive may not be reduced below that earned by the Executive during the twelve-month period preceding the Effective Date, provided, however, that the annual base salary may be reduced to an amount not less than 90% of the base salary in effect on the Effective Date pursuant to an across-the-board reduction of base salary similarly affecting all senior officers of Deluxe. In determining any increase in an Executive's base salary during the Employment Period, the Executive is to be treated in a manner consistent with other peer executives. The Executives are also entitled to receive annual incentive payments during the Employment Period on the same objective basis as other peer executives, although in no event may an Executive's annual target bonus opportunity be less favorable to the Executive than that provided by Deluxe in the last fiscal year prior to the Effective Date, and if the bonuses payable to other peer executives during the Employment Period are not wholly based on objective criteria, the Executive's annual incentive payment must be at least equal to an amount determined with reference to the Executive's average annual incentive payments for certain periods ending prior to the Effective Date. During the Employment Period, each Executive is also entitled to participate in Deluxe's stock incentive, savings, retirement, welfare and fringe benefit plans on the same basis as Deluxe's other Executives, and the opportunities for and benefits to the Executives under such plans may not generally be reduced from those provided during the one-year period prior to the Effective Date.

If, during the Employment Period, Deluxe terminates an Executive's employment other than for cause or disability, or the Executive terminates his or her employment for good reason (as such terms are defined in the Retention Agreements), the Executive is entitled to a lump sum payment equal to the sum of any unpaid base salary, deferred compensation and accrued vacation pay through the date of termination, plus a pro-rated annual incentive payment for the year of termination based on the greater of (1) the Executive's target bonus under Deluxe's annual incentive plan in respect of the year in which the termination occurs or, if greater, for the year in which the Change of Control occurs (the Target Bonus) and (2) the annual incentive payment that the Executive would have earned for the year in which the termination occurs based upon projecting to the end of such year Deluxe's actual performance through the termination date. In addition, the Executive is entitled to receive a lump sum payment equal to three times the sum of the Executive's annual base salary and the higher of Target Bonus or the average of Executive's annual incentive payments for the last three full fiscal years prior to the Effective Date, plus three times the amount that would have been contributed by Deluxe or its affiliates to the retirement and supplemental retirement plans in which the Executive participated prior to his or her termination in respect of such sum. Certain resignations and terminations in anticipation of Changes of Control also constitute qualifying terminations. The Executives are also entitled to the continuation of their medical, disability, life and other health insurance benefits for up to a three-year period after a qualifying termination and to certain out-placement services.

The Retention Agreements also provide that if any payment or benefit received or to be received by an Executive, whether or not pursuant to his or her Retention Agreement, would be subject to the federal excise tax on excess parachute payments, Deluxe will pay to the Executive such additional amount as may be necessary so that the Executive realizes, after the payment of such excise tax and any income tax or excise tax on such additional amount, the amount of such compensation.

The foregoing summary is qualified in its entirety by reference to the complete text of the Retention Agreements, copies of which were filed as exhibits to Deluxe's Annual Report on Form 10-K for the year ended December 31, 2000.

Executive Severance Agreements

On March 1, 2001, Deluxe entered into Executive Severance Agreements (the *Severance Agreements*) with each of the Executives. Mr. Mosner's Severance Agreement terminated upon his retirement in 2005, and Mr. Eilers' Severance Agreement was superseded by his Transition Agreement, which is discussed below. The Severance Agreements are intended to facilitate each Executive's attention to the affairs of Deluxe and to recognize the key role they serve within the Company. Under the Severance Agreements, if an Executive is terminated without cause by Deluxe or by the Executive with Good Reason, and provided the Executive signs a separation and release agreement, that Executive is entitled to receive the benefits described below. Under these agreements, *Good Reason* includes (1) a material diminution of position, authority, duties or responsibilities; (2) a material reduction in aggregate compensation and incentive opportunities; (3) a requirement to relocate more than 50 miles from his or her then-current location; (4) termination by Deluxe of the Executive's employment which is not effected pursuant to written notice specifying the cause of termination; or (5) any request or requirement by Deluxe that the Executive take any action or omit to take any action that is inconsistent with or in violation of Deluxe's policies. The Severance Agreements do not apply if an Executive's employment is terminated following a Change of Control under circumstances that would entitle the Executive to receive benefits under the Retention Agreements described above.

The Severance Agreements provide for the following benefits in the event the Executive is terminated by Deluxe without cause or such Executive terminates his or her employment for Good Reason: (1) 12 months of severance pay at his or her then-current level of base monthly salary; (2) for a period of six months following the severance period, an additional monthly payment during each month in such period equal to the amount, if any, that his or her monthly base compensation as of termination exceeds the monthly compensation earned during that month; (3) executive-level outplacement services for up to 12 months; and (4) an additional lump sum payment of \$13,000 to assist with other costs and expenses that may be incurred in connection with his or her employment transition.

CEO Transition Agreements

On March 7, 2005, Deluxe and Mr. Mosner entered into a Transition Agreement (the *Transition Agreement*). Mr. Mosner previously announced his plan to retire in 2005, and the purpose of the Transition Agreement was to secure Mr. Mosner's continued service while the Board commenced a search for a successor Chief Executive Officer (CEO). Pursuant to the Transition Agreement, up until November 17, 2005, the date on which Mr. Eilers was appointed CEO by Deluxe's Board of Directors, Mr. Mosner continued to serve as Deluxe's Chairman and CEO at his then current compensation level, and continued to participate in all benefit plans and programs that are customarily available to executive officers of Deluxe. Mr. Mosner participated in the Annual Incentive Plan for 2005, and as mentioned previously, did not receive an incentive payment due to the below target performance. In addition, the Compensation Committee granted Mr. Mosner one-third of the stock option and restricted stock grants that the Committee would normally have expected to make to Mr. Mosner in 2005 in the absence of his retirement (equal to 8,700 options and 1,800 shares of restricted stock), and the standard grant of performance shares for the 2005-2007 performance period (the grant of which shares has lapsed due to his retirement with the result that Mr. Mosner is no longer entitled to any payout).

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On November 17, 2005 (the Retirement Date), Mr. Mosner retired as Chairman and CEO. Mr. Mosner agreed, at the option of the Board of Directors, to assist in the transition of his duties as CEO at the direction and request of the new CEO, for up to eight hours per week during a period of up to six months after the Retirement Date. In consideration for his services as a consultant, Mr. Mosner will be

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paid at the rate of \$500 per hour for services performed, plus reimbursement for his reasonable out-of-pocket expenses. No payments were made to Mr. Mosner for such services in 2005.

Effective on the Retirement Date, Mr. Mosner's retirement was recognized as an Approved Retirement or a Qualified Retirement for purposes of vesting his restricted stock, restricted stock units, and stock options that were outstanding on such date, pursuant to the terms of the award agreements referenced in the Transition Agreement, and Mr. Mosner is recognized as a Qualified Retiree under Deluxe's medical plans. As such, Mr. Mosner and his wife will continue to be covered by the medical plans currently available to executive officers of Deluxe for the remainder of their lives, subject to any changes in such plans as may be made generally. Except as set forth in the Transition Agreement, Mr. Mosner will not continue to participate in any other benefits plans or programs of Deluxe. In addition, Mr. Mosner's Severance and Executive Retention Agreements described above each terminated effective on November 17, 2005, and, as contemplated in the Transition Agreement, the parties have entered into a mutual release.

A complete copy of Mr. Mosner's Transition Agreement, including the form of release mentioned above, was filed as an exhibit to Deluxe's Current Report on Form 8-K filed on March 10, 2005.

In conjunction with Mr. Eilers' appointment as interim CEO, on November 17, 2005, Deluxe and Mr. Eilers entered into a Transition Agreement (the Eilers Transition Agreement). The purpose of the Eilers Transition Agreement is to ensure a smooth transition of the CEO position. Pursuant to the Eilers Transition Agreement, until the earlier to occur of December 31, 2006, or the date on which his successor as CEO is selected by Deluxe's Board of Directors (the Eilers Retirement Date), Mr. Eilers will serve as Deluxe's CEO at the compensation level of the previous CEO, and will continue to participate in all benefit plans and programs that are customarily available to executive officers of Deluxe. Mr. Eilers will participate in the Annual Incentive Plan for 2006, and will be paid a prorated portion of the bonus that he would otherwise be entitled to receive under that plan for the portion of the calendar year 2006 for which he serves as CEO; provided that, he will not be entitled to defer any portion of that bonus into restricted stock units under that plan. In lieu of his participation in the long-term incentive plan for 2006, the Board has agreed to pay Mr. Eilers a lump sum cash amount equal to a pro-rated portion of \$300,000 for the portion of the calendar year 2006 ending on the Eilers Retirement Date. In addition, Mr. Eilers will receive a lump sum retention bonus equal to 1.5 times his then-current annual salary after the Retirement Date.

Effective on the Eilers Retirement Date, Mr. Eilers' retirement will be recognized as an Approved Retirement or a Qualified Retirement for purposes of vesting his restricted stock, restricted stock units and stock options that are outstanding on such date, pursuant to the terms of the award agreements referenced in the Eilers Transition Agreement, and based on years of service and age, Mr. Eilers would be recognized as a Qualified Retiree under Deluxe's medical plans. As such, from and after the Eilers Retirement Date, Mr. Eilers and his wife will continue to be covered by the medical plans currently available to executive officers of Deluxe for the remainder of their lives, subject to any changes in such plans as may be made generally. Except as set forth in Mr. Eilers' Transition Agreement, after his Retirement Date, Mr. Eilers will not continue to participate in any other benefits plans or programs of Deluxe. In addition, Mr. Eilers' Severance Agreement described above has been superseded by his Transition Agreement and therefore has been terminated, and his Executive Retention Agreement described above will terminate effective on the Eilers Retirement Date. The Eilers Transition Agreement also contemplates that the parties will enter into a mutual release.

In the event Mr. Eilers were to die or become disabled prior to his Retirement Date, he or his heirs, representatives or estate, as applicable, generally would be entitled to the same compensation and benefits described above, provided that he or such heirs, representatives or estate enter into the release.

A complete copy of Mr. Eilers' Transition Agreement, including the contemplated form of release, was filed as an exhibit to Deluxe's Current Report on Form 8-K filed on November 21, 2005.

Change of Control Provisions in Equity Award Agreements

In addition to the change of control features applicable to some of the equity-based awards described elsewhere in this proxy statement, Deluxe utilizes forms of stock option and restricted stock agreements under which vesting of options and shares awarded will be accelerated, in whole or in part, upon certain defined changes of control of Deluxe. Copies of our standard award agreements have been filed with the SEC, and are referenced as exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

COMPARATIVE STOCK PERFORMANCE

The table below compares the cumulative total shareholder return on our common stock for the last five fiscal years with the cumulative total return of the S&P 400 MidCap Index and a peer group of companies comprised of the following companies: Banta Corporation, Bowne & Co., John H. Harland Company, Cenvue, Inc., Reynolds & Reynolds Co., RR Donnelley & Sons Company and Standard Register & Co. (the Peer Group Index). The companies in the Peer Group Index have been chosen due to their similar lines of business.

* The graph assumes that \$100 was invested on December 31, 2000 in each of Deluxe common stock, the S&P 400 MidCap Index and the Peer Group Index, and that all dividends were reinvested. The Peer Group Index is weighted by market capitalization.

FISCAL YEAR 2005 AUDIT AND INDEPENDENT ACCOUNTANTS

Audit Committee Report

The following is the report of the Audit Committee with respect to Deluxe's audited financial statements presented in its Annual Report to Shareholders for the fiscal year ended December 31, 2005, which include the consolidated balance sheets of Deluxe as of December 31, 2005 and 2004, and the related consolidated statements of income, comprehensive income and cash flows for each of the three years in the period ended December 31, 2005, and the notes thereto. The information contained in this Audit Committee Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Deluxe specifically incorporates it by reference in such filing.

The Audit Committee of the Board of Directors currently is comprised of the four undersigned directors, all of whom have been determined by the Board to be independent under the rules of the Securities and Exchange Commission and the New York Stock Exchange. The Audit Committee acts under a written charter approved by the Board of Directors. The Audit Committee reviews the adequacy of that charter on an annual basis. A complete copy of the Committee's charter is posted on the Investor Relations page of Deluxe's website at www.deluxe.com under the Corporate Governance caption.

As stated in its charter, the Audit Committee assists the Board in monitoring the integrity of Deluxe's financial statements, the effectiveness of the internal audit function and independent accountants, and Deluxe's compliance systems. In carrying out these responsibilities, the Audit Committee met with Deluxe management periodically during the year to consider the adequacy of Deluxe's internal controls and the objectivity of its financial reporting. The Audit Committee discussed these matters with PricewaterhouseCoopers LLP, Deluxe's independent accountants, and with the appropriate financial personnel and internal auditors, and met privately on a regular basis with both the independent accountants and with the internal auditors, each of whom reports and has unrestricted access to the Audit Committee.

The Audit Committee reviewed with management and the independent accountants Deluxe's 2005 audited financial statements and met separately with both management and the independent accountants to discuss and review those financial statements and reports prior to issuance. Management has the primary responsibility for Deluxe's financial statements and the overall reporting process, including Deluxe's system of internal controls. Management has represented and PricewaterhouseCoopers LLP has confirmed in its opinion to the Audit Committee that the financial statements were prepared in accordance with generally accepted accounting principles and fairly present, in all material respects, the financial condition of Deluxe.

The Audit Committee also received from, and discussed with, the independent accountants the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from Deluxe. As part of its efforts to ensure the independence of Deluxe's independent accountants, the Committee maintains a policy requiring the pre-approval by the Committee of all services to be provided by the independent accountants, and reviews all services actually performed by the accountants in connection with its discussions regarding the accountants' continued independence. The Audit Committee also discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), which include, among other items, matters related to the conduct of the audit of Deluxe's financial statements.

Based on the review and discussions referred to above, the Committee recommended to Deluxe's Board of Directors that Deluxe's audited financial statements be included in Deluxe's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

MEMBERS OF THE AUDIT COMMITTEE

Martyn R. Redgrave, Chair
Isaiah Harris, Jr.
Cheryl E. Mayberry McKissack
Mary Ann O Dwyer

Fees Paid to Independent Accountants

Aggregate fees for professional services rendered for Deluxe by PricewaterhouseCoopers LLP during the years ended December 31, 2005 and 2004 were as follows:

| | <u>2005</u> | <u>2004</u> |
|----------------------|--------------|--------------|
| Audit | \$ 1,748,386 | \$ 1,391,500 |
| Audit-Related | 31,000 | 140,800 |

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| | 2005 | 2004 |
|--------------|---------------------|---------------------|
| Tax | 0 | 3,500 |
| Other | 0 | 0 |
| Total | <u>\$ 1,779,386</u> | <u>\$ 1,535,800</u> |

The *Audit* fees billed for the years ended December 31, 2005 and 2004 were for professional services rendered for audits of the annual consolidated financial statements and reviews of the related quarterly financial statements included in Deluxe's quarterly reports on Form 10-Q filed with the SEC, assurance services in connection with the filing of SEC registration statements and consultations regarding accounting or disclosure treatment of transactions which were directly part of the audit. Audit fees for 2005 also include billings of \$133,586 related to finalization of the 2004 audit.

The *Audit-Related* fees billed in each of the fiscal years ended December 31, 2005 and 2004 were for employee benefit plan audits. Audit-related fees for 2004 also included due diligence services related to Deluxe's acquisition of New England Business Service, Inc.

Tax fees in 2004 were for services related to preparation of employee benefit plan returns.

The Audit Committee approved 100 percent of the services described above.

Policy on Audit Committee Pre-Approval of Independent Accountant Fees and Services

In order to assure that our independent accountants are engaged only to provide audit and non-audit services that are compatible with maintaining their independence, the Audit Committee has adopted a policy which requires the Audit Committee to review and approve all services to be provided by PricewaterhouseCoopers LLP before the firm is engaged to provide such services. The Audit Committee may delegate its pre-approval authority to one or more members of the Audit Committee. However, a full report of any such approvals must be given at the next Audit Committee meeting. The Audit Committee

is required to specifically approve the fee levels for all services. Requests for approval of services must be jointly submitted to the Audit Committee by the independent accountants, Deluxe's Chief Financial Officer and Deluxe's Vice President of Internal Audit and must include (1) a joint statement as to whether, in their view, the request is consistent with the SEC's rules on auditor independence, and (2) a reasonably detailed description of the proposed services. The complete text of our Audit and Non-Audit Services Pre-Approval Policy is posted on the Investor Relations page of our website at www.deluxe.com under the Corporate Governance caption. A copy of the Policy is available in print free of charge to any stockholder who requests it.

ITEM 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Audit Committee has appointed PricewaterhouseCoopers LLP as independent accountants to examine the financial statements of Deluxe for the fiscal year ending December 31, 2006. PricewaterhouseCoopers LLP has acted as independent accountants of Deluxe since 2001.

Pursuant to the Audit Committee's charter, the Board of Directors is submitting the appointment of PricewaterhouseCoopers LLP as Deluxe's independent accountants for fiscal year ended December 31, 2006 to the shareholders for ratification. Shareholder approval of this appointment is not required, but the Board is submitting the selection of PricewaterhouseCoopers LLP for ratification in order to obtain the views of the Company's shareholders. If the appointment is not ratified, the Audit Committee will reconsider its selection. Deluxe anticipates that representatives of PricewaterhouseCoopers LLP will be present at the meeting, will have the opportunity to

make a statement if they so desire and will be able to respond to appropriate questions from shareholders.

The Board of Directors recommends that you vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as independent accountants.

OTHER BUSINESS

The Board of Directors does not intend to present any business at the meeting other than the matters specifically set forth in this proxy statement and knows of no other business scheduled to come before the meeting. If any other matters are brought before the meeting, the persons named as proxies will vote on such matters in accordance with their judgment of the best interests of Deluxe and its shareholders. The proxies solicited by Deluxe will confer discretionary authority on the persons named therein as proxies to vote on any matter presented at the meeting of which the Board of Directors did not have knowledge a reasonable time before Deluxe printed and mailed these proxy materials.

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2007 SHAREHOLDER PROPOSALS

Any shareholder proposals intended to be included in the proxy statement for the annual meeting of shareholders in 2007 must be received by the Secretary of Deluxe at 3680 Victoria Street N., Shoreview, Minnesota 55126-2966 no later than the close of business on November 10, 2006. Proposals received by that date will be included in Deluxe's 2007 proxy statement if the proposals are proper for consideration at an annual meeting and are required for inclusion in the proxy statement by, and conform to, the rules of the SEC.

Deluxe's Bylaws provide that a shareholder may present a proposal at the 2007 annual meeting of shareholders that is not included in Deluxe's proxy statement if proper written notice is given to Deluxe's Chief Executive Officer or Secretary at the Company's principal executive offices no later than the close of business on November 10, 2006. The proposal must contain the information required by Deluxe's Bylaws. You may obtain a copy of the Bylaws by writing to the Secretary of Deluxe.

By Order of the Board of Directors:

Anthony C. Scarfone
Secretary

March 10, 2006

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APPENDIX A

Deluxe Corporation Director Independence Standards

I. Introduction and Purpose

The listing standards of the New York Stock Exchange (NYSE) require that the Company's Board be comprised of at least a majority of independent directors, and that the Board maintain Nominating/Governance, Compensation and Audit Committees comprised entirely of independent directors. The NYSE also requires the Board to make a formal determination each year as to which of its directors are independent, and to disclose these determinations in the Company's proxy statement. The purpose of this document is to outline the standards under which the Board makes its independence determinations, thereby ensuring a consistent and disciplined approach to such determinations.

II. Minimum Standards

The NYSE has established certain minimum standards of independence. According to these standards, a director is automatically disqualified from being deemed independent under the following circumstances:

- A. The director has been employed by the Company, or an immediate family member⁽¹⁾ has been an executive officer of the Company, within the last three years;
- B. The director or an immediate family member received more than \$100,000 in direct compensation from the Company during any twelve-month period within the last three years, with the exception of director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is in no way contingent on continued service);
- C. The director or an immediate family member is a current partner of the Company's internal or external auditor; the director is a current employee of such a firm; the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time;
- D. Within the last three years, the director or an immediate family member was an executive officer of another company on whose compensation committee one of the Company's current executive officers served at the same time; or
- E. The director is a current employee, or an immediate family member is a current executive officer, of a company that, within any of the last three fiscal years, has made payments to, or received payments from, the Company for property or services in an amount exceeding the greater of \$1 million or 2% of such other company's consolidated gross revenues in that fiscal year. (Note that while contributions to charitable organizations are not deemed payments under this standard, the Company would have to disclose in its proxy statement contributions in excess of these thresholds to any charity for which a director serves as an executive officer.)

III. Assessment of Other Relationships - Categorical Standards

In addition to meeting the minimum standards set forth in Section II, no director qualifies as independent under the NYSE's rules unless the Board affirmatively determines that the director

¹ For purposes of these standards, an immediate family member includes a person's spouse, parents, children and siblings (whether by blood or adoption), mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The basis for determining that any relationship is not material must be disclosed in the Company's proxy statement. However, as an alternative to discussing all non-material relationships a Company might have with its directors, the NYSE allows companies to adopt and disclose categorical standards of independence and make general disclosures as to which directors meet those standards. The following categorical standards have been established to assist the Board in making its independence determinations.

A director who satisfies all of the following standards (in addition to the minimum standards set forth in Section II and any standards applicable to them as Audit Committee members - See Section IV) may be deemed independent. A director who fails to satisfy any particular categorical standard may still be determined to be independent, but the specific basis for such a determination must be explained in the Company's proxy statement.

Categorical Standards of Independence

- A. The director has never been an employee or executive officer of the Company or any affiliate. (For purposes of these standards, an affiliate is any person or entity that controls, is controlled by, or is under common control with another person or entity, such as subsidiaries, sibling companies and parent companies.)
- B. The director is not a former executive, founder or principal of the Company, or of any affiliate, firm or entity acquired by the Company, or firm or entity that was part of a joint venture or partnership including the Company.
- C. No immediate family member of the director is a current employee, or a former executive officer, of the Company or any affiliate.
- D. Neither the director nor any immediate family member, nor any firm or entity with which such director or family member was affiliated in a professional capacity, has provided investment banking advice or served as the Company's primary legal advisor within the past two years.
- E. Neither the director nor any immediate family member has any direct transactional relationship with the Company or its affiliates, or otherwise has an active role in providing, is a partner or principal owner of a firm or entity providing, or otherwise receives compensation based on the provision of consulting, advisory or other professional services to the Company or its affiliates or officers (except for compensation received by a director solely in his or her capacity as a director).
- F. The director is not a director, trustee, executive officer or employee, and no immediate family member is an executive officer, of any firm or entity (including charitable and non-profit organizations) that, within the last two years, has made annual payments to or received annual payments from the Company or its affiliates in excess of the greater of \$200,000 or five percent of the recipient's consolidated gross revenues.
- G. The director is the beneficial owner (as that term is defined under Rule 13d of the Securities Exchange Act of 1934, as amended) of less than ten percent (10%) of the Company's outstanding voting securities.
- H. The director is not a party to any contract or arrangement regarding their nomination or election to the Board, or requiring them to vote with management on proposals brought before the Company's shareholders.

IV. Audit Committee Membership

In addition to meeting the foregoing independence requirements, all Audit Committee members must satisfy the independence requirements of Rule 10A-3 under the Securities Exchange Act. Assuming the director meets the standards outlined in Sections II and III above, the only

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additional standard they must pass to be eligible for Audit Committee service is that they not, directly or indirectly, accept any consulting, advisory or other compensatory fee from the Company, other than in their capacity as Board or Committee members. Given that this prohibition applies to indirect as well as direct payments, payments to family members and entities with which a director is affiliated must be considered. The SEC has indicated, however, that not all commercial relationships are prohibited, but only relationships involving legal, accounting, investment banking, financial advisory and consulting services.

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Annual Meeting of Shareholders

Shareholders are invited to attend Deluxe's annual meeting of shareholders. It will be held Wednesday, April 26, 2006, at Deluxe's headquarters 3680 Victoria St. N., Shoreview, Minnesota, 55126, at 2:00 p.m. (CDT).

Information about Deluxe also can be found in the Investor Relations section of our website: <http://www.deluxe.com>.

Dividend Direct Deposit

Deluxe Corporation directly deposits dividends into the accounts of its employee shareholders. This service also is available to shareholders who are not employees. It allows shareholders to have their dividends automatically deposited into an account at the financial institution they designate. Direct deposit provides convenient, fast access to dividend payments.

For additional information about dividend deposit or to change the account to which your dividend is currently being deposited, please contact Wells Fargo Bank, N.A. by telephone at 800-468-9716 (toll-free) or by e-mail at www.wellsfargo.com/com/shareowner_services.

Deluxe Corporation
3680 Victoria St. N.
Shoreview, MN 55126-2966
P.O. Box 64235
St. Paul, MN 55164-0235

proxy

This proxy is solicited on behalf of the Board of Directors.

The undersigned appoints Ronald E. Eilers and Anthony C. Scarfone as proxies, each with the power to act alone and to appoint his substitute, and authorizes each of them to represent and to vote, as designated on the other side of this proxy card, all shares of common stock of Deluxe Corporation held of record by the undersigned on March 7, 2006, at the annual meeting of shareholders to be held on April 26, 2006, and at any adjournment thereof.

This proxy, when properly executed, will be voted as designated on the other side. If no choice is specified, this proxy will be voted FOR each of the nominees for the Board of Directors listed on the other side and FOR proposal 2. Also, by signing this proxy, you authorize the above named proxies to vote in their discretion upon such other business as may properly come before the meeting. Deluxe anticipates that no other business will be conducted at the meeting. The undersigned hereby acknowledges receipt of the proxy statement for the annual meeting of shareholders.

See reverse for voting instructions.

COMPANY #

There are three ways to vote.

Your telephone or internet vote authorizes the proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY PHONE. It's toll-free. It's quick, easy, and immediate. 800-560-1965

This proxy is solicited on behalf of the Board of Directors.

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- Use any touch-tone telephone to grant your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on April 25, 2006.
- Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

VOTE BY INTERNET. It s quick, easy, and immediate. <http://www.eproxy.com/dlx/>

- Use the internet to grant your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on April 25, 2006.
- Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope that we provided, or return it to Deluxe Corporation, c/o Shareowner ServicesSM, P.O. Box 64873, St. Paul, MN 55164-0873.

If you vote by telephone or the internet, please do not mail your proxy card.

∨ Please detach here ∨

The Board of Directors recommends a vote FOR Items 1 and 2.

- | | | | | | |
|--------------------------|------------------------|------------------------------|--------------------------|--|------------------------------|
| 1. Election of directors | 01 Ronald E. Eilers | 04 Isaiah Harris, Jr. | 07 Stephen P. Nachtsheim | <input type="radio"/> Vote FOR | <input type="radio"/> Vote W |
| | 02 T. Michael Glenn | 05 William A. Hawkins, III | 08 Mary Ann O Dwyer | all nominees | from al |
| | 03 Charles A. Haggerty | 06 Cheryl Mayberry McKissack | 09 Martyn R. Redgrave | (except as indicated in the box below) | |

To withhold authority to vote for any nominees, write the number(s) of the nominee(s) in the box to the right.

2. Ratification of the selection of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2006. For Against Abstain

3. Take action on any other business that may properly come before the meeting and any adjournment thereof.

Address Change? Mark Box Indicate changes below: Date _____, 2006

Signature(s) in Box
Please sign exactly as name appears at the left. When shares are held by joint tenants, either or both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If the shareholder is a corporation, please sign in full corporate name by president or other authorized officer. If the shareholder is a partnership, please sign in partnership name by authorized person.