

DELUXE CORP  
Form DEF 14A  
March 11, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

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 under §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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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- Fee paid previously with preliminary materials.
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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:



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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 30, 2014**

To the Shareholders of Deluxe Corporation:

It is our pleasure to invite you to the Deluxe Corporation 2014 annual meeting of shareholders. The annual meeting will be held at Deluxe's headquarters located at 3680 Victoria Street North, Shoreview, Minnesota on Wednesday, April 30, 2014, at 2:00 p.m. Central Time for the following purposes:

1. To elect ten directors to hold office until the 2015 annual meeting of shareholders.
2. To cast an advisory (non-binding) vote on the compensation of our Named Executive Officers (a "Say-on-Pay" vote).
3. To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.
4. 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 3, 2014, are entitled to vote at the meeting and at any adjournment thereof. In this Proxy Statement, we may also refer to Deluxe Corporation as "Deluxe," "the Company," "we," "our," or "us."

**Once again, we are furnishing proxy materials to our shareholders over the Internet. This process expedites the delivery of proxy materials, reduces paper waste and saves the Company expense. In addition, these materials remain easily accessible, and shareholders**

receive clear instructions for voting and requesting paper copies of the materials if they so desire.

We are mailing the Notice of Internet Availability of Proxy Materials ( Internet Notice ) to shareholders of record beginning on or about March 13, 2014. The Internet Notice contains instructions on how to access our Proxy Statement and Annual Report, and how to vote online. In addition, the Internet Notice contains instructions on how to (i) request a paper copy of the Proxy Statement and Annual Report, if you received only an Internet Notice this year, or (ii) elect to receive your Proxy Statement and Annual Report only over the Internet, if you received them by mail this year.

- more -

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**It is important that your shares be represented at the annual meeting. Whether or not you plan to attend the annual meeting in person, please vote as soon as possible to ensure the presence of a quorum and save Deluxe further expense. You may vote your shares by telephone or the Internet, or if you received a paper proxy card, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the methods of voting are contained in the Internet Notice and in the Proxy Statement. Voting by telephone, the Internet or mail will not limit your right to vote in person or to attend the annual meeting.**

BY ORDER OF THE BOARD OF DIRECTORS

Anthony C. Scarfone  
Corporate Secretary

March 11, 2014

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**DELUXE CORPORATION**

**3680 Victoria Street North, Shoreview, Minnesota 55126-2966**

**Proxy Statement  
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TO BE HELD APRIL 30, 2014**

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

**What is the purpose of the annual meeting?**

At our annual meeting, the Board of Directors asks shareholders to vote on the matters disclosed in the Notice of Annual Meeting of Shareholders that preceded this Proxy Statement. The three proposals scheduled to be voted on at the meeting are to:

- Elect as directors the ten nominees named in this Proxy Statement;
- Cast an advisory (non-binding) vote on the compensation of our Named Executive Officers ( Say-on-Pay ); and
- Ratify the appointment of PricewaterhouseCoopers LLP as Deluxe s independent registered public accounting firm for the fiscal year ending December 31, 2014.

We will also consider any other business that may be properly presented at the meeting (although we are not expecting any other matters to be presented), and management will report on Deluxe s performance during the last fiscal year and respond to questions from shareholders.

**How does the Board recommend that I vote?**

The Board of Directors recommends a vote:

- FOR the election of all of the nominees for director;
- FOR the compensation of the Company s Named Executive Officers as disclosed in this Proxy Statement; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Deluxe s independent registered public accounting firm for the fiscal year ending December 31, 2014.

**Who is entitled to vote at the meeting?**

The Board has set March 3, 2014, as the record date for the meeting. If you were a shareholder of record at the close of business on March 3, 2014, you are entitled to vote at the meeting. You have one vote for each share of common stock you held on the record date.

As of the record date, 50,344,928 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 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 (1) is present and votes in person at the meeting, or (2) has properly submitted a proxy or voted by telephone or 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 still considered the beneficial owner of the shares, but your shares are held in street name .

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**How do I vote my shares?**

We are mailing the Notice of Internet Availability of Proxy Materials (the Internet Notice ) to shareholders of record on or about March 13, 2014. If your shares are held in street name, your broker or other agent is responsible for sending you an Internet Notice. You will not receive a printed copy of these proxy materials unless you request to receive these materials in hard copy by following the instructions provided in the Internet Notice. Instead, the Internet Notice will instruct you about how you may access and review all of the important information contained in these proxy materials. The Internet Notice also instructs you about how you may vote by the Internet. If you received an Internet Notice by mail and would like to receive a printed copy of these proxy materials, you should follow the instructions for requesting such materials included in the Internet Notice.

**Voting by the Internet** You can simplify your voting by voting your shares using the Internet as instructed in the Internet Notice. The Internet procedures are designed to authenticate your identity, to allow you to vote your shares and confirm that your instructions have been properly recorded. Internet voting facilities for shareholders of record are available 24 hours a day and will close at 11:59 p.m. (CT) on April 29, 2014. You may access this Proxy Statement and related materials by going to <http://www.investoreconnect.com> and entering the control number as shown on your Internet Notice. You will then be directed to select a link to [www.proxyvote.com](http://www.proxyvote.com) where you will be able to vote on the proposals presented here.

**Voting by Mail** Shareholders who receive a paper proxy card may elect to vote by mail (instead of by the Internet or telephone) and should complete, sign and date their proxy card and mail it in the pre-addressed envelope that accompanies the paper proxy card. Proxy cards submitted by mail must be received by the time of the annual meeting in order for your shares to be voted. Shareholders who hold shares beneficially in street name may vote by mail by requesting a paper proxy card according to the instructions contained in the Internet Notice received from your broker or other agent, and then completing, signing and dating the voting instructions card provided by the broker or other agent and mailing it in the pre-addressed envelope provided.

**Voting by Telephone** Shareholders also may elect to vote using the telephone by calling 800-690-6903 (toll-free). The telephone voting procedures have been set up for your convenience. The procedures have been designed to verify your identity, to allow you to give voting instructions and to confirm that those instructions have been recorded properly.

**What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials?**

It means you hold shares registered in more than one account. To ensure that all of your shares are voted, if you vote by telephone or the Internet, vote once for each Internet Notice 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).

You also may receive a voting instructions card which looks 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, or are otherwise unable to attend.

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.

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**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 ten 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 Items 2 (Say-on-Pay) and 3 (ratification of independent accounting firm) 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 percent of the outstanding shares). Item 2 (Say-on-Pay) is a nonbinding advisory vote intended to solicit the input of our shareholders on this matter.

**How are votes counted?**

For Item 1, shareholders may either vote FOR or WITHHOLD authority to vote for the nominees for the Board of Directors. For Items 2 and 3, shareholders may vote FOR, AGAINST or ABSTAIN.

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

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

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

If your shares are held in street name and you do not provide voting instructions to your broker, bank or nominee, your shares will be counted as present at the meeting for purposes of determining a quorum but, in accordance with applicable law and the rules of the New York Stock Exchange, may not be voted on Item 1: Election of Directors or Item 2: Advisory Vote on Compensation of Named Executive Officers. Shares for which you do not provide voting instructions may, however, be voted on Item 3: Ratification of Appointment of Independent Registered Public Accounting Firm, at the discretion of your broker, bank or nominee.

If you vote your shares directly (as opposed to voting through a broker or other intermediary) and do not specify on your proxy card (or when giving your proxy by telephone or the Internet) how you want to vote your shares, we will vote them:

- FOR the election of all of the nominees for director;
- FOR the compensation of the Company's Named Executive Officers; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Deluxe's independent registered public accounting firm for the fiscal year ending December 31, 2014.

**What is the effect of not casting my vote?**

If your shares are held in street name, it is critical that you cast your vote if you want it to count in the election of directors (Item 1 of this Proxy Statement) and the advisory vote related to the compensation of the Company's Named Executive Officers (Item 2 of this Proxy Statement.). If you hold your shares in street name and you do not instruct your broker, bank or other nominee how to vote on these matters, no votes will be cast on your behalf. Your broker, bank or other nominee will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent registered public accounting firm (Item 3 of this Proxy Statement).

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**Can I change my vote?**

Yes. If you are a shareholder of record, you can 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 Deluxe's Corporate Secretary;
- by submitting another properly signed proxy card at a later date to Deluxe's Corporate Secretary;
- by submitting another proxy by telephone or the Internet at a later date; or
- by voting in person at the meeting.

If you hold your shares in street name, you should follow the voting instructions provided to you by your broker, bank or other nominee.

**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 Inc., a proxy solicitation firm, to assist in the solicitation of proxies for a fee of approximately \$8,000, plus associated costs and expenses.

We are soliciting proxies primarily by use of the Internet. In addition, proxies may be solicited by mail, telephone or facsimile, or personally by directors, officers and regular employees of Deluxe. These individuals receive no additional compensation for these services.

**STOCK OWNERSHIP AND REPORTING**

**Director and Executive Officer Stock Ownership and Sale 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 date the individual becomes subject to the target. The guidelines restrict 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 times the current Board retainer. Executive officers have targets based on a multiple of their annual base salary. The ownership

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target for the Chief Executive Officer ( CEO ) is five times his annual base salary, the target for the Company s Senior Vice Presidents is two times their annual base salary, and the target for the Company s Vice Presidents who are members of the Company s executive leadership team ( Executive Leadership Team ) is one-and-one-half times their annual base salary.

### Security Ownership of Certain Beneficial Owners and Management

The following table shows, as of March 3, 2014 (unless otherwise noted), the number of shares of common stock beneficially owned by (1) each person or entity known by Deluxe to beneficially own more than five percent of Deluxe s outstanding common stock, (2) each executive officer named in the Summary Compensation Table that appears in the EXECUTIVE COMPENSATION section of this Proxy Statement (each, a Named Executive Officer ), (3) each director and nominee for director, and (4) all of the current directors, nominees and executive officers of Deluxe as a group. Except as otherwise indicated in the footnotes below, the shareholders listed in the table have sole voting and investment powers with respect to the common stock owned by them.



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Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock, Inc. 1 40 East 52nd Street New York, NY 10022	6,458,220	12.80
The Vanguard Group, Inc. 2 100 Vanguard Blvd. Malvern, PA 19355	3,616,639	7.16
Lee J. Schram 3	703,400	1.40
Terry D. Peterson 4	55,520	*
John D. Filby 5	36,073	*
Malcolm J. McRoberts 6	73,820	*
Anthony C. Scarfone 7	142,016	*
Ronald C. Baldwin 8	21,193	*
Charles A. Haggerty 9	68,212	*
Don J. McGrath 10	34,949	*
Cheryl E. Mayberry McKissack 11	27,634	*
Neil J. Metviner 12	17,002	*
Stephen P. Nachtshiem 13	54,507	*
Mary Ann O Dwyer 14	38,923	*
Thomas J. Reddin 15	644	*
Martyn R. Redgrave 16	53,852	*
All directors, nominees and executive officers as a group (20 persons) 17	1,398,719	2.70

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\* Less than 1 percent.

(1) Based on a Schedule 13G filed with the Securities and Exchange Commission on January 10, 2014, reporting beneficial ownership as of December 31, 2013. The power to vote or direct the vote of these shares generally resides within funds managed or advised by the reporting person and/or its subsidiaries.

(2) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 12, 2014 reporting beneficial ownership as of December 31, 2013. The power to vote or direct the vote of these shares generally resides within funds managed or advised by the reporting person and/or its subsidiaries.

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(3) Includes 461,599 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 46,353 shares of restricted stock.

(4) Includes 32,048 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 3,971 shares of restricted stock.

(5) Includes 26,484 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 3,176 shares of restricted stock.

(6) Includes 48,766 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 3,176 shares of restricted stock.

(7) Includes 108,866 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, and 2,482 shares of restricted stock.

(8) Includes 2,733 restricted stock units received in lieu of an annual restricted stock grant and 1,691 restricted stock units received in lieu of director's fees pursuant to the Deluxe Corporation Non-Employee Director Stock and Deferral Plan (the Director Plan).

(9) Includes 2,733 restricted stock units received in lieu of an annual restricted stock grant, 32,727 shares held by the Haggerty Family Trust, and 21,145 restricted stock units received in lieu of director's fees pursuant to the deferral option under the Director Plan.

(10) Includes 2,733 shares of restricted stock, 2,000 shares held in trust and 20,947 restricted stock units received in lieu of director's fees pursuant to the deferral option under the Director Plan.

(11) Includes 2,733 shares of restricted stock.

(12) Includes 2,733 shares of restricted stock.

(13) Includes 2,733 restricted stock units received in lieu of an annual restricted stock grant, 3,582 shares held by the Nachtsheim Family Trust, and 20,744 restricted stock units received in lieu of director's fees pursuant to the deferral option under the Director Plan.

(14) Includes 2,733 restricted stock units received in lieu of an annual restricted stock grant, and 26,862 restricted stock units received in lieu of director's fees pursuant to the deferral option under the Director Plan.

(15) Includes 644 shares of restricted stock.

(16) Includes 2,733 shares of restricted stock, and 9,360 restricted stock units received in lieu of director's fees pursuant to the deferral option under the Director Plan.

(17) Includes 699,094 shares receivable upon the exercise of options that are currently exercisable or will become exercisable within 60 days, 81,198 shares of restricted stock, and 111,681 restricted stock units received in lieu of annual restricted stock grants and 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 and executive officers, and any persons holding more than ten percent of Deluxe's common stock (collectively, Reporting Persons), to report their initial ownership of Deluxe securities and any subsequent changes in that ownership to the Securities and Exchange Commission (SEC). Based on our review of the reports filed and written representations submitted by the Reporting Persons, we believe that all Reporting Persons timely filed all required Section 16(a) reports for the most recent fiscal year.

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**ITEM 1: ELECTION OF DIRECTORS**

**Nominees for Election**

There are currently ten individuals serving on the Board of Directors. Each director's term expires as of the date of the annual meeting.

The Board has determined that the size of the Board will be ten directors as of the date of the annual meeting and recommends that the ten individuals presented on the following pages be elected to serve on the Board until the 2015 annual meeting of shareholders. All of the nominees are current directors. In addition, with the exception of Mr. Schram, who serves as Deluxe's CEO and therefore by definition 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).

Each of the ten individuals listed below has consented to being named as a nominee in this Proxy Statement and has 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.

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**RONALD C. BALDWIN**  
 Director since June 2007

Age 67

Vice Chairman (Retired), Huntington Bancshares Inc.

	<p>Mr. Baldwin served as Vice Chairman of Huntington Bancshares Inc., a regional bank holding company, from April 2001 until his retirement in December 2006. Mr. Baldwin was responsible for overseeing Huntington's regional banking line of business, which provided both commercial and retail financial products and services through nearly 400 regional banking offices. Mr. Baldwin is a 35-year veteran of the banking and financial services industry. As such, he is able to provide Deluxe with unique insight into the challenges faced by financial institutions, particularly within the community bank sector, where the Company believes it has the opportunity to expand the business services and solutions offered to these financial institutions. The experience acquired by Mr. Baldwin throughout his career also makes him adept in offering counsel on matters related to corporate finance and capital structure, all of which serve the needs of Deluxe and its shareholders as the Company seeks to maintain financial discipline while pursuing growth opportunities.</p>
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**CHARLES A. HAGGERTY**  
 Director since December 2000

Age 72

Chairman (Retired), Western Digital Corporation

	<p>Mr. Haggerty was Chairman of the Board of Western Digital Corporation, a manufacturer of hard disk drives, from July 1993 until his retirement in June 2000. Mr. Haggerty also was Chief Executive Officer of Western Digital from July 1993 to January 2000, and was President from June 1992 to July 1993. Prior to joining Western Digital, Mr. Haggerty spent more than 28 years in various management and executive positions with IBM Corporation. Mr. Haggerty also serves as a director of Pentair, Ltd. and LSI Corporation. Aside from Mr. Haggerty's strong background in business operations and management, he is a seasoned public company director, having served for more than 19 years on public company boards. During his tenure as a public company director, he has chaired compensation and governance committees, served on the audit committees of the boards of Imation Corp., LSI Corporation, and Pentair, Ltd., and has served as a lead independent director, all of which allows him to bring a broad-based set of corporate governance perspectives and experience to the Deluxe Board.</p>
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**CHERYL E. MAYBERRY McKISSACK**  
 Director since December 2000

Age 58

Chief Operations Officer, Johnson Publishing Company, and President of JPC Digital

	<p>Ms. Mayberry McKissack was appointed COO of Johnson Publishing Company ( JPC ) and President of its affiliate, JPC Digital, on January 1, 2013. Johnson Publishing Company is the preeminent publishing, cosmetic and digital media company for people of color. Ms. Mayberry McKissack also is President and CEO of Nia Enterprises, LLC, a Chicago-based online research, marketing, and digital consulting firm she founded in 2000. Ms. Mayberry McKissack has provided project support to JPC for several years under a consulting relationship between Nia Enterprises and JPC, and her expanded role with JPC as COO and President of JPC Digital now constitutes her principal responsibility. Prior to founding Nia Enterprises, Ms. Mayberry McKissack served as the Worldwide Senior Vice President and General Manager for Open Port Technology and was Vice President for the Americas and a founding member of the Network Systems Division for 3Com (formerly U.S. Robotics). She also serves as a director of Private Bancorp Inc., and in 2005 was named as an Associate Adjunct Professor of Entrepreneurship at the Kellogg School of Business, Northwestern University. As a successful entrepreneur and digital technology executive, Ms. Mayberry McKissack brings a unique perspective to the Board as the Company pursues its growth strategies within the Small Business Services segment. Given that a key component of Deluxe s strategy for growing this segment involves Internet-based marketing and new media solutions, Ms. Mayberry McKissack s experience in these areas is a valuable complement to the skills and experience she brings to the Board as a small business owner and executive of several technology and new business ventures.</p>
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**DON J. McGRATH**  
 Director since June 2007

Age 65

Managing Partner, Diamond Bear Partners, LLC

	<p>Diamond Bear Partners, LLC is an investment company co-founded by Mr. McGrath in December 2009. At the end of 2009, Mr. McGrath retired as Chairman of BancWest Corporation, a \$70 billion bank holding company serving nearly four million households and businesses. Mr. McGrath served as BancWest s Chairman and CEO from January 2005 through December 2009, and as a director from 1998. Prior to becoming CEO, he served as BancWest s President and Chief Operating Officer from November 1998 to December 2004. From May 2005 through December 2009, Mr. McGrath also served as Chairman of the Board of Bank of the West (a BancWest subsidiary) and as CEO from 1996 to 2007. In 2008, he was appointed to the President s Council on Financial Literacy. He has nearly 40 years of experience in the banking and financial services industry, particularly in the large bank sector, enabling him to provide the Company with valuable insight into this important portion of Deluxe s customer base. He also led BancWest through an era of significant growth and therefore is well-suited for the Deluxe Board as the Company continues to execute its transformational growth strategies.</p>
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**NEIL J. METVINER**  
 Director since June 2007

Age 55

Chief Marketing Officer, Output Services Group, Inc.

	<p>Mr. Metviner joined Output Services Group, Inc. ( OSG ) in January of 2011. OSG provides invoice and statement printing and presentment services, emphasizing their use as marketing tools. Mr. Metviner is responsible for all marketing activities, organic growth initiatives and major account management. Prior to joining OSG, Mr. Metviner served in various executive capacities with Pitney Bowes, Inc., a global mailstream technology company serving one million businesses in North America and over two million customers worldwide. Mr. Metviner joined Pitney Bowes in 2000 as President of Pitney Bowes Direct, having management responsibility for serving the company's U.S. small business customer base, together with various international markets. From September 2007 until leaving the company at the end of December 2009, Mr. Metviner assumed full oversight responsibility for the company's European mailstream operations. As President of Pitney Bowes Direct and in his current role with OSG, Mr. Metviner has acquired extensive knowledge in marketing to, and otherwise serving, small business customers. This knowledge is particularly relevant to Deluxe's strategic growth initiatives within the Small Business Services segment, from where it is expected that a significant portion of the Company's growth will be derived. In addition, Mr. Metviner has spent more than 20 years in senior leadership positions responsible for new product development, management and marketing, all of which areas also are key components of Deluxe's enterprise-wide growth strategies.</p>
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**STEPHEN P. NACHTSHEIM**  
 Director since November 1995; Immediate Past Chairman of the Board

Age 69

Vice President (Retired), Intel Corporation

	<p>Mr. Nachtsheim served as Non-Executive Chairman of the Board of Deluxe from November 2005 through July 2012. 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. Mr. Nachtsheim's experience in the information technology area and in overseeing investments in product development initiatives is well-suited to Deluxe's own transformational initiatives, many of which rely on the support of information technology. As the longest tenured member of the Deluxe Board, as well as having served in a Board leadership role for nearly a decade, Mr. Nachtsheim also brings a unique historical perspective to the Board's role in guiding strategic discussions, together with a wealth of experience in managing the work of the Board and the role it plays in serving the interests of Deluxe shareholders.</p>
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**MARY ANN O DWYER**  
 Director since October 2003

Age 58

Senior Vice President, Wheels, Inc.

	<p>Wheels, Inc. is a leading provider of fleet management services to Fortune 1000 companies, with more than 300,000 vehicles under management. Ms. O Dwyer joined Wheels in 1991 and has served in various executive capacities, including Chief Financial Officer from May 1994 until June 2013, and Senior Vice President of Operations from December 1999 until November 2013, where she was responsible for all Vehicle Operations and Customer Service functions. Ms. O Dwyer also serves as a director of Wheels, Inc. and its parent company, Frank Consolidated Enterprises. In addition to the strong financial acumen and operational background she brings to the Board, Ms. O Dwyer's experience at Wheels and Frank Consolidated Enterprises has included analyzing the strength of a company's financial condition, assessing credit risks, accessing capital markets, and implementing internal control systems and risk mitigation strategies. These qualifications serve Deluxe and its shareholders not only by helping to oversee the integrity of Deluxe's financial statements, but also in supporting the Company's strategies to ensure access to capital and in evaluating potential acquisition candidates as part of the Company's growth strategies.</p>
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**THOMAS J. REDDIN**  
 Director since February 2014

Age 53

Managing Partner, Red Dog Ventures LLC

	<p>Mr. Reddin is the principal of Red Dog Ventures, a venture capital and advisory firm for early stage digital companies, which he founded in 2007, and of which he has been the managing partner since June 2009. From January 2008 until June 2009, Mr. Reddin served as the Chief Executive Officer of Richard Petty Motorsports, a top five NASCAR team. Prior to founding Red Dog Ventures, Mr. Reddin worked at LendingTree.com, an on-line lending exchange, including serving as Chief Executive Officer from 2005 to 2007. He joined LendingTree in 1999 as Chief Marketing Officer, and also served as Chief Operating Officer from 2000 until he was named Chief Executive Officer. Mr. Reddin also spent 17 years in the consumer goods industry, including 12 years at Kraft General Foods and five years at Coca-Cola USA, where he managed the Coca-Cola brand as Vice President of Consumer Marketing. Mr. Reddin currently serves on the board of directors of Tanger Factory Outlet Centers, Inc. and Premier Farnell PLC (a company traded on the London Stock Exchange), and has previously served on the boards of R.H. Donnelley Corporation and Valassis Communications Inc. The most recent addition to the Deluxe Board, Mr. Reddin brings a wealth of experience in the development and marketing of digitally-based services and brand management, all of which are central components of Deluxe's growth strategy. In addition, Mr. Reddin's extensive leadership experience, including serving on multiple public company boards and audit committees, further qualify him for his role as a member of the Deluxe Board.</p>
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**MARTYN R. REDGRAVE**

Age 61

Director since August 2001; Non-Executive Chairman since August 2012

Non-Executive Chairman of Deluxe and Senior Advisor to L Brands, Inc.

	<p>Mr. Redgrave became a director in August 2001, and was appointed Non-Executive Chairman of the Board on August 1, 2012. He also serves as Senior Advisor to L Brands, Inc. (formerly known as Limited Brands, Inc.), a position he has held since August 2012. Mr. Redgrave previously served as Limited Brands' executive vice president and chief administration officer from March 2005 to August 2012, and also chief financial officer from January 2006 to May 2007. Limited Brands is one of the world's leading personal care, beauty, intimate apparel and apparel specialty retailers. Mr. Redgrave also serves on the board of directors of AFC Enterprises, Inc. In addition to bringing extensive operations management experience and financial and accounting acumen to the Board, Mr. Redgrave's background in overseeing the reporting systems and controls of complex business operations is particularly relevant to the work of the Deluxe Board. Throughout his career, Mr. Redgrave has had direct involvement with matters similar to those encountered by Deluxe, such as operations management, financial reporting and controls, enterprise risk management, information technology systems, data management and protection, and access to capital markets. His background also includes M&amp;A financial analysis, a continuing area of importance for Deluxe.</p>
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**LEE J. SCHRAM**

Age 52

Director since May 2006

Chief Executive Officer of Deluxe

Mr. Schram became CEO of Deluxe Corporation on May 1, 2006. Prior to joining Deluxe, Mr. Schram served as Senior Vice President of NCR Corporation's Retail Solutions Division, with responsibilities for NCR's global retail store automation and point-of-sale solutions business, including development, engineering, marketing, sales, and support functions. Mr. Schram began his professional career with NCR Corporation in 1983, where he held a variety of positions of increasing responsibility that included both domestic and international assignments. From September 2000 to January 2002, he served as Chief Financial Officer for the Retail and Financial Group. Thereafter, he became Vice President and General Manager of Payment and Imaging Solutions in NCR's Financial Services Division, a position he held until March 2003, when he became Senior Vice President of the Retail Solutions Division. He is the sole member of the Company's management represented on the Board.

**The Board of Directors recommends that you vote FOR the election of each nominee named on the preceding pages.**

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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.

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 registered public accounting firm, or any commercial or not-for-profit entity with which Deluxe has a relationship. Consistent with SEC regulations and NYSE listing standards, our Director Independence Standards also prohibit Audit and Compensation 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 posted on our Investor Relations website at [www.deluxe.com/investor](http://www.deluxe.com/investor) under the "Corporate Governance" caption.

The Board has determined that every director and nominee, with the exception of Mr. Schram, satisfies our Director Independence Standards. The Board also has determined that every member of its Corporate Governance, Audit and Compensation Committees is independent.

**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, director retirement policies, Board and committee structure and processes, Board evaluations, director education, CEO evaluation, management succession planning and conflicts of interest. The complete text of the Guidelines is posted on our Investor Relations website at [www.deluxe.com/investor](http://www.deluxe.com/investor) under the "Corporate Governance" caption. A copy of the Guidelines is available in print free of charge to any shareholder who submits a request to: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126.

**Code of Ethics and Business Conduct**

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All of our directors and employees, including our CEO, Chief Financial Officer and other 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 legal and ethical standards. Our Code of Ethics requires strict adherence to the letter and spirit of all laws and regulations applicable to our business, and also addresses 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 or suspected violations of the Code of Ethics to Deluxe s attention through management or Deluxe s law department, or by using our confidential ethics and compliance hotline. The full text of our Code of Ethics is

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posted on our Investor Relations website at [www.deluxe.com/investor](http://www.deluxe.com/investor) under the Corporate Governance caption. The Code of Ethics is available in print free of charge to any shareholder who submits a request to: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126.

**Related Party Transaction Policy and Procedures**

The Board maintains written procedures under which the Corporate Governance Committee is responsible for reviewing potential or actual conflicts of interest, including any proposed related party transactions and interlocking relationships involving executives and Board members. The Committee determines whether any such potential or actual conflicts would require disclosure under securities laws, cause a director to be disqualified from being deemed independent, or cause a transaction being considered by the Board to be voidable if the conflict were not disclosed. The Committee also considers whether the proposed transaction would result in a violation of any law or be inappropriate in light of the nature and magnitude of any interest of the director or executive in the entity or transaction giving rise to the potential conflict.

The Committee may take those actions it deems necessary, with the assistance of any advisors it deems appropriate, in considering potential conflicts of interest. While it is expected that in most instances the Committee can make the necessary determination, where required by state law or warranted by the significance of the issue, the matter will be referred to the full Board for resolution.

Deluxe maintains a commercial relationship with Wheels, Inc. that was reviewed and approved under these procedures. Wheels, Inc. is a \$1.6 billion company that provides automobile leasing, fleet management and related services. Deluxe selected Wheels, Inc. to provide these services as the result of a competitive bidding process in which several other service providers also participated. Ms. O Dwyer, who is an executive with Wheels, Inc. did not participate in the bidding or selection process. Under the terms of the arms-length contract governing this relationship, Deluxe's aggregate payment to Wheels, Inc. for 2013 was approximately \$998,000, which amount is well below the thresholds for independence established by the NYSE and provided for in our Director Independence Standards. The relationship with Wheels, Inc. was duly considered by the Board in making its determination that Ms. O Dwyer is independent.

**Board Composition and Qualifications**

Our Corporate Governance Committee also oversees the process for identifying and evaluating candidates for the Board of Directors. While not maintaining a specific policy on Board diversity requirements, we do believe that our directors should have diverse backgrounds and possess a variety of qualifications, experience and knowledge that complement the attributes of other Board members and enable them to contribute effectively to the evaluation of our business strategies and to the Board's oversight role. Deluxe also believes that a predominance of Board members should have a background in business, including experience in markets served by the Company or in which it is developing product and service offerings, and recognizes the benefit of Board members having an understanding of the methods by which other boards address issues common to publicly traded companies. We also believe the Board 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 believes that the diverse mix of skills, qualifications and experience represented by the current directors and nominees (as addressed more fully in the section of this Proxy Statement entitled ITEM 1: ELECTION OF DIRECTORS ) effectively allows the Board to perform its responsibilities.

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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.
- As a general rule, non-employees should not be nominated for re-election to the Board after their 72nd birthday, although the Board retains the ability to grant exemptions to that

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age limit where it determines that such an exemption will serve the interests of Deluxe and its shareholders. The Board did, in fact, make such a determination in the case of Mr. Haggerty, who recently turned 72, based on the critical role he currently serves as Chair of the Corporate Governance Committee as the board is implementing its own succession plans, part of which involved the addition of Mr. Reddin to the Board in February. It is expected, however, that this will be the last year Mr. Haggerty will stand for reelection, and that he will be retiring in 2015.

- 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 CEO 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 Company need, prior experience and proven accomplishment as a director of a public company, availability and commitment to attend 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 recommends a slate of nominees to be presented for election at the annual meeting of shareholders.

The Corporate Governance Committee considers candidates recommended by members of the Board or recommended by our shareholders, and the Committee reviews such candidates in accordance with our bylaws and applicable legal and regulatory requirements. Candidates recommended by our shareholders are evaluated under the same criteria and using the same procedures as candidates recommended by Board members or the CEO. In order for such shareholder recommendations to be considered, shareholders must provide the Corporate Governance Committee with sufficient written documentation to permit a determination by the Board as to whether such a candidate meets the required and desired director selection criteria set forth in our bylaws and our Corporate Governance Guidelines, and as outlined above. Such documentation and the name of the recommended director candidate must be sent by U.S. mail to our Corporate Secretary at the address indicated on the Notice of Annual Meeting of Shareholders. Our Corporate Secretary will send properly submitted shareholder recommendations to the Chair of the Corporate Governance Committee for consideration at a future Committee meeting.

When a vacancy or a new position on the Board needs to be filled, the CEO, in consultation with the Chair of the Corporate Governance Committee, drafts a profile of the candidate he or she believes would provide the most meaningful contributions to the Board as a whole. The profile is submitted to the Committee for approval. In order to properly staff its various committees and support its succession planning initiatives, the Board currently believes that a Board consisting of nine to eleven directors is the optimal size. The Committee has made it a practice in recent years to engage third-party search firms to assist it in identifying suitable candidates. The firms selected, as well as the specific terms of the engagement, are based on the specific search criteria established by the Committee. Members of the Board also are given

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the opportunity to submit names of potential candidates based on the profile developed. Each candidate is subject to an initial screening process after which the Committee selects the candidates that it wishes to interview. The Chair of the Board, the CEO and at least a majority of the Committee interviews each selected candidate and, concurrently with the interviews, the candidate will

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confirm his or her availability for regularly scheduled Board and committee meetings. The Committee also will assess each candidate's potential conflicts of interest and the ways in which their qualifications, experience and knowledge complement those of the members of the Board. The Committee reviews the interviewers' reports and recommendations, and makes the final determination as to which candidates are recommended for election to the Board. Depending on when suitable candidates are identified, the Board may decide to appoint a new director to serve on the Board until the next annual meeting of shareholders.

Our bylaws require any shareholder wishing to formally nominate a candidate at the annual meeting of shareholders to give written notice of the nomination to our CEO or Corporate Secretary no later than 120 days prior to the first anniversary of the previous year's 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 Exchange Act 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 2015 annual meeting of shareholders must furnish the required notice no later than December 31, 2014.

**Meetings and Committees of the Board of Directors**

There were five meetings of the Board of Directors in 2013, all of which were regular meetings. Each director attended, in person or by telephone, at least 75 percent of the aggregate of all meetings of the Board and its committees on which he or she served during the year. It is our policy that directors attend our annual shareholder meetings. All directors attended our annual shareholder meeting in 2013, with the exception of Ms. O Dwyer, who was unable to attend due to certain unavoidable travel restrictions.

The Board of Directors currently has four standing committees:

- Audit Committee;
  
- Compensation Committee;
  
- Corporate Governance Committee; and
  
- 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 our Investor Relations website at [www.deluxe.com/investor](http://www.deluxe.com/investor) under the "Corporate Governance" caption. A copy of each charter is available in print free of charge to any shareholder who submits a request to: Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126-2966.

The following tables provide a summary of each committee's responsibilities, the number of meetings held by each committee during the last fiscal year and the names of the directors currently serving on each committee.

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**Audit Committee**

**Responsibilities**

- Appoints and replaces the independent registered public accounting firm, subject to ratification by our shareholders, and oversees the work of the independent registered public accounting firm.
- Pre-approves all auditing services and permitted non-audit services to be performed by the independent registered public accounting firm, including related fees.
- Reviews and discusses with management and the independent registered public accounting firm 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 registered public accounting firm our quarterly financial statements and the associated earnings news releases.
- Reviews and discusses with management and the independent registered public accounting firm 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 registered public accounting firm our critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, and other material written communications between the independent registered public accounting firm and management.
- 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.

**Number of meetings in 2013: 9**

**Directors who serve on the committee:**

Mary Ann O'Dwyer, Chair

Cheryl E. Mayberry McKissack

Stephen P. Nachtsheim

Thomas J. Reddin

Martyn R. Redgrave

**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 recommends to the Board the CEO's compensation based on this evaluation.
- Reviews and approves other executive officers' compensation.
- Establishes and certifies attainment of incentive compensation goals and performance measurements applicable to our executive officers.
- Considers shareholder advisory votes related to executive compensation and considers risk related to the design of the Company's compensation programs.
- Retains and, in accordance with SEC requirements, determines the independence of consultants that assist in its activities.

**Number of meetings in 2013: 5**

**Directors who serve on the committee:**

Don J. McGrath, Chair

Charles A. Haggerty

Neil J. Metviner

Mary Ann O'Dwyer

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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.
- Establishes policies and procedures to ensure the effectiveness of the Board, including policies regarding term limits and retirement, review of qualifications of incumbent directors, and conflicts of interest.
- Establishes guidelines for conducting Board meetings.
- Oversees the annual assessment of the Board's performance.
- In consultation with the Compensation Committee, 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.
- Reviews and recommends candidates for key executive officer positions and monitors management succession plans.
- Develops and recommends corporate governance guidelines, policies and procedures.

**Number of meetings in 2013: 4**

**Directors who serve on the committee:**

Charles A. Haggerty, Chair

Ronald C. Baldwin

Cheryl E. Mayberry McKissack

Martyn R. Redgrave

**Finance Committee**

### **Responsibilities**

- Evaluates acquisitions, divestitures and capital projects in excess of \$5 million, and reviews other material financial 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 recommendations to the Board regarding financial strategy and proposals concerning the sale, repurchase or split of Deluxe securities.

### **Number of meetings in 2013: 5**

### **Directors who serve on the committee:**

Ronald C. Baldwin, Chair

Don J. McGrath

Neil J. Metviner

Stephen P. Nachtsheim

Thomas J. Reddin

### **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 Corporate Secretary, Deluxe Corporation, 3680 Victoria Street North, Shoreview, Minnesota 55126-2966.

### **Board Leadership Structure; Non-Executive Chairman; Executive Sessions**

As stated in our Corporate Governance Guidelines, the Board does not maintain a strict policy regarding separation of the offices of Chairman and CEO, believing that this issue should be addressed as part of the Board's succession planning processes. The Board has, however, maintained a separation of the Chairman and CEO roles since November of 2005, when the Company was engaged in a search for a



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CEO to lead the Company's transformation. The Board has found this structure to be effective, both in allowing the CEO to focus on execution of the Company's strategy and assisting the CEO in managing the work of the Board. Martyn R. Redgrave has served as Non-Executive Chairman since August 1, 2012. Mr. Redgrave's duties included moderating meetings and executive sessions of the independent directors and acting as the principal liaison between the independent directors and the CEO with respect to Board governance issues.

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.

**Board Role in Risk Oversight**

The Board takes an active role in risk oversight related to the Company both as a full Board and through its committees. The Board regularly meets in executive session to, among other things, assess the quality of its meetings and to provide its observations to the CEO regarding the Company's business challenges and risk mitigation strategies.

In addition, the Company conducts an annual enterprise-wide risk assessment. A formal report is delivered to the Audit Committee, the chair of which provides a synopsis to the full Board, typically in December. Updates are provided at regularly scheduled meetings and more frequently if required. The objectives for the risk assessment process include (1) addressing the NYSE governance requirement that the Audit Committee discuss policies related to risk assessment and risk management; (2) developing a defined list of key risks to be monitored by the Audit Committee, Board and senior management; (3) determining whether there are risks that require additional or higher priority mitigation efforts; (4) facilitating discussion of the risk factors to be included in the Company's SEC reports; and (5) guiding the development of the Company's internal audit plans.

In 2013, the risk assessment process was conducted by members of our Assurance and Risk Advisory Services Department working with senior management and the Enterprise Risk Council, consisting of senior level staff from the legal, finance and other shared services departments. Members of the Assurance and Risk Advisory Services Department interviewed key department and functional leaders in the Company to identify and evaluate potential risks and associated mitigating factors and strategies. Any identified risks were prioritized based on the potential exposure to the Company, measured as a function of likelihood of occurrence and potential severity of impact if the risk were to materialize. The process included evaluating management's preparedness to respond to the risk if realized. The risk profiles and current and future mitigating actions were discussed and refined during subsequent discussions with senior management. A summary of the results of the risk assessment process and our risk mitigation activities was presented to the Audit Committee, which furnished a report to, and facilitated a discussion with, the full Board.

**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 Mary Ann O'Dwyer, the current 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 ethics and compliance hotline.



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**Compensation Committee Processes and Procedures**

The authority and responsibilities of the Compensation Committee are governed by its charter, a copy of which can be found on Deluxe Corporation's Investor Relations website at [www.deluxe.com/investor](http://www.deluxe.com/investor) under the "Corporate Governance" caption, together with applicable laws, rules, regulations and NYSE listing standards.

The Compensation Committee is authorized to review and approve corporate goals and objectives related to the CEO's compensation, lead the Board's evaluation of the CEO's performance in light of those goals and objectives, and recommend to the Board the CEO's compensation based on the evaluation. The Committee is expected to engage the entire Board in its evaluation of the CEO's performance and appropriate level of compensation.

The Committee also reviews and approves each executive officer's base pay and incentive compensation levels, stock ownership targets, employment-related agreements and any unique benefit plans or programs for executives. As part of this responsibility, the Committee evaluates and makes recommendations to the Board regarding the Company's compensation philosophy and structure, the design of incentive compensation plans in which executives participate and all equity plans. It establishes incentive compensation goals and performance measurements for executives and determines the levels of achievement of each executive relative to the goals and measurements. Subject to limits imposed by the plans, applicable law and the Board, the Committee also oversees administration of equity-based plans, deferred compensation plans, benefit plans, retirement and Employee Retirement Income Security Act (ERISA) excess plans, and also is responsible for determining the formula used to calculate contributions to the Company's current profit sharing plan. The Committee has delegated to management committees the responsibility to administer broad-based benefit plans and to oversee investment options and management of retirement and deferred compensation programs.

Although matters of director compensation ultimately are the responsibility of the full Board, the Compensation Committee works in conjunction with the Board's Corporate Governance Committee and its independent compensation consultants in evaluating director compensation levels, making recommendations regarding the structure of director compensation, and developing a director pay philosophy that is aligned with the interests of the Company's shareholders.

The Committee has the authority to engage compensation consultants to assist it in conducting the activities within its general scope of responsibility. Since 2001, the Committee has retained Towers Watson & Co. (sometimes referred to as "Towers Watson") as its independent consultant. The Committee has the sole authority to retain, terminate and approve the fees of a compensation consultant for the purpose of assisting in the evaluation of director, CEO and executive compensation. In 2013, the Committee assessed its relationship with Towers Watson and determined that no conflicts of interest existed and that Towers Watson remained independent of the Company. Among other factors supporting Towers Watson's independence, the only fees paid to Towers Watson in 2013 were for its services as independent consultant to the Committee.

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee is comprised entirely of independent directors. No member of the Compensation Committee has been an officer or employee of Deluxe. None of our executives serve as a member of the compensation committee of any other company that has an executive

serving as a member of the Deluxe Board of Directors. None of our executives serve as a member of the board of directors of any other company that has an executive serving as a member of the Compensation Committee.

**Non-Employee Director Compensation**

Directors who are employees of Deluxe do not receive compensation for their service on the Board other than their compensation as employees. For 2013, non-employee directors each received a \$50,000

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annual Board retainer, payable quarterly, and the Non-Executive Chairman received an additional \$100,000 annual retainer, also payable quarterly.

For the past several years, in an effort to fairly compensate non-employee directors for their service on Board committees, the elements, workload and responsibilities of which tended to fluctuate from time to time, committee members have been paid fees for each committee meeting attended, with the chair of each committee also receiving an annual retainer for serving as the chair.

For 2013, the committee fee structure was as follows:

	Audit Committee (\$)	Compensation Committee (\$)	Other Standing Committees (\$)
Chair Retainer	15,000	7,500	5,000
In-Person Meeting Attendance	2,000	1,500	1,500
Telephonic Meeting Attendance	1,000	750	750

Based on a recent benchmarking of director pay practices among our Peer Group conducted by Towers Watson, for 2014 the Board has determined to move away from paying for committee service on a per-meeting basis, and will begin paying for such service on a retainer basis, with the retainer for each committee being based on the anticipated meeting frequency and overall responsibilities of the committee. Not only is this consistent with prevailing trends in director compensation practices, it also is expected to deliver administrative efficiencies.

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.

Deluxe maintains a Non-Employee Director Stock and Deferral Plan (the Director Plan), which is part of Deluxe's shareholder-approved Long-Term Incentive Plan (the Long-Term 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 may elect to receive, in lieu of cash retainers and fees, shares of Deluxe common stock having an equal value, based on the closing price of Deluxe's stock on the NYSE as of the quarterly payment date. The shares of common stock receivable pursuant to the Director Plan are issued as of the quarterly payment date or, at the option of the director, credited to the director in the form of deferred restricted stock units. These restricted stock units are converted into shares of common stock and issued to the director 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. Restricted stock units issued pursuant to the Director Plan also convert into shares of common stock and become immediately issuable in connection with certain defined changes of control of Deluxe. All shares of common stock issued pursuant to the Director Plan are issued under the Long-Term Incentive Plan.

Under the terms of the Long-Term 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, and have been provided

the opportunity to defer any equity grant awarded to them under terms similar to those described above for

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deferral of cash retainers and fees. 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 no more than 5,000 options may be granted to a non-employee director in any one year. Non-employee directors did not receive any option grants in 2013, but each non-employee director re-elected to the Board at last year's annual meeting received a grant of restricted stock on May 1, 2013, with an approximate grant date value of \$100,000, which shares vest one year from the grant date. Equity grants to directors are recommended by the Compensation Committee, in consultation with the Corporate Governance Committee, and are ratified by the full Board.

Mr. Nachtsheim, the only non-employee director who was elected to the Board prior to October 1997, also is 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, he is 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 served on the Board prior to October 31, 1997. No further benefits are accruing under this plan. 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. Mr. Nachtsheim is eligible to receive payments of \$30,000 for two years following his retirement from the Board under this predecessor plan.

The following table summarizes the compensation earned by each non-employee director in 2013.

**DIRECTOR COMPENSATION 2013**

Name	Fees Earned or Paid in Cash <sup>1</sup> (\$)	Stock Awards <sup>2</sup> (\$)	All Other Compensation <sup>3</sup> (\$)	Total (\$)
Ronald C. Baldwin	69,250	100,028	3,118	172,396
Charles A. Haggerty	65,500	100,028	3,118	168,646
Cheryl E. Mayberry McKissack	69,000	100,028	3,118	172,146
Don J. McGrath	71,000	100,028	3,118	174,146
Neil J. Metviner	63,500	100,028	3,118	166,646
Stephen P. Nachtsheim	69,750	100,028	3,118	172,896
Mary Ann O Dwyer	81,250	100,028	3,118	184,396
Martyn R. Redgrave	169,000	100,028	3,118	272,146

(1) Under the Director Plan, directors may elect to receive their fees in the form of stock, including the right to defer such stock into restricted stock units. Any stock or stock units issued under the Director Plan are equal in value to the cash fees foregone by the director. As a result, amounts reflected are the total fees earned by the directors, including amounts elected to be received in the form of stock or restricted stock units.

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(2) Amounts in this column reflect the aggregate grant date fair value of stock awards granted during the fiscal year ended December 31, 2013 computed in accordance with the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718. All directors received 2,733 shares of restricted stock or restricted stock units upon their re-election to the Board on May 1, 2013. These shares will vest one year from the date of grant. As of December 31, 2013 the aggregate number of shares of unvested restricted stock or restricted stock units for each director was 2,733, and the aggregate number of fully vested restricted stock units held by each director was as follows: Mr. Baldwin, 1,691; Mr. Haggerty, 21,145; Mr. McGrath, 20,947; Mr. Nachtsheim, 20,744; Ms. O Dwyer, 26,862; Mr. Redgrave, 9,360.

(3) Amounts reflect dividends paid in 2013 on unvested restricted stock and restricted stock unit annual awards.

**EXECUTIVE COMPENSATION**

**ITEM 2: ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS (referred to as Say-on-Pay )**

We believe that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program, and therefore are providing shareholders with the opportunity to cast an advisory (non-binding) vote on the compensation of our Named Executive Officers, pursuant to Section 14A of the Exchange Act, as described below.

The Compensation Discussion and Analysis appearing below describes in greater detail the Company's executive compensation program and decisions made by the Compensation Committee in 2013.

The Company believes the compensation program for the Named Executive Officers is instrumental in helping the Company achieve its strong financial performance and requests the vote of shareholders on the following resolution:

**RESOLVED, that the shareholders approve, on an advisory basis, the compensation of Deluxe's Named Executive Officers, as described in the Compensation Discussion and Analysis section, the compensation tables and the narrative disclosures that accompany the compensation tables set forth in this Proxy Statement.**

As an advisory vote, the vote on Item 2 is not binding upon the Company. However, the Compensation Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by shareholders and will consider the outcome of this vote when making future compensation decisions for Named Executive Officers.

**The Board of Directors recommends that you vote FOR the compensation of the Company's Named Executive Officers.**

**Compensation Discussion and Analysis**

**Introduction**

The following discussion should be read in conjunction with the various tables and accompanying narrative disclosure appearing in this Proxy Statement. Those tables and narrative disclosure provide more detailed information regarding the compensation and benefits awarded to, earned by, or paid to our Chief Executive Officer ( CEO ) and the other executive officers named in the Summary Compensation Table appearing later in this Proxy Statement (collectively, the Named Executive Officers ), as well as the plans

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in which those officers are eligible to participate. At last year's annual meeting, our shareholders provided an advisory say-on-pay vote indicating their overwhelming support of the Company's compensation program for our Named Executive Officers. Our shareholders also previously have supported the Board's recommendation that such say-on-pay votes be held annually. As a result, Item 2 presented in this Proxy Statement again seeks our shareholders' input on Deluxe's executive compensation program. This Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the tables provide information that will assist our shareholders in deciding how to vote on Item 2.

**Executive Summary**

In evaluating the company's executive compensation practices for 2013, the Compensation Committee considered a number of factors, including Peer Group practices, general compensation trends, the compensation structure most appropriate in supporting the Company's strategic initiatives and driving shareholder value, and the views of our shareholders. Based on all of these factors, including the overwhelming shareholder support for our executive compensation program as demonstrated by the results of the Say-on Pay votes conducted at the Company's 2012 and 2013 annual meetings, the Compensation Committee continued to apply the same effective principles and philosophy it had used in previous years in determining executive compensation. The goal of our executive compensation program is to attract and retain the best available leadership talent, to reward our leaders for creating long-term value for our shareholders, and to support the ongoing transformation of our business. Our compensation program is designed to reward sustained financial and operating performance and leadership excellence, align the executives' long-term interests with those of our shareholders and motivate our executives to remain with the Company for long and productive careers. We believe our program combines a competitive mix of cash and equity, and short-term and long-term compensation to reinforce a balance between meeting annual goals and achieving long-term growth.

As explained in greater detail below, Deluxe maintains a strong pay-for-performance philosophy, as evidenced by the fact that a significant portion of each executive's total compensation is linked to financial and other performance criteria intended to deliver sustainable business results and drive shareholder value. While risk-taking is a necessary component in any successful business model, we employ a number of features in our compensation program that are designed to prevent inappropriate or short-sighted risk-taking, including Compensation Committee oversight of an annual evaluation of risk associated with our compensation programs. We think the combination of compensation elements in the program provides the Named Executive Officers with the appropriate incentives to create long-term value for shareholders while taking thoughtful and prudent risks to deliver strong performance year after year. In each of the last four years, including 2013, the Company has provided positive total shareholder return and in 2013 it provided a strong 65 percent return on top of the 44 percent return provided in 2012. We continue to focus on providing favorable returns for our shareholders while we pursue our transformative growth strategies.

Throughout 2013, the Company maintained its financial discipline and strategic focus, which led the Company to not only deliver revenue growth for the fourth consecutive year, but also higher operating income and operating cash flow while investing in many areas to improve its opportunities for long-term growth. We did so, moreover, in what continued to be a year marked by an uncertain economic environment. Details regarding the Company's performance in 2013 are contained in our Annual Report to Shareholders, which we encourage all shareholders to read. Some highlights of that performance, and the value being created for our shareholders, include the following:

- Our total shareholder return was 65%;
- Our consolidated revenue increased 4.6%, and we grew our Small Business Services segment revenue 9.2%;



- Our marketing solutions and other services revenue, an area of focus for growth, increased 20% and represented 21.7% of consolidated revenue;

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- We delivered strong diluted earnings per share of \$3.65, which was up 9.9% from last year;
- Our cash flow from operations increased 7.1%; and
- We attracted, developed and retained the leadership talent necessary to execute our strategy, and delivered exceptional performance against the strategic growth initiatives established under our annual incentive program.

We believe the structure of our executive compensation program was a critical factor in aligning the priorities of the Company's leaders to deliver strong results in 2013, while at the same time providing a solid foundation for continued success. We hope our shareholders will agree and will express their support in voting FOR Item 2 in this Proxy Statement.

**Compensation Objectives, Philosophy and Best Practices**

Deluxe is committed to providing executive compensation that attracts, motivates and retains high-caliber executive talent for the benefit of our shareholders, supports Deluxe's business objectives, and aligns the interests of the executive officers, including our Named Executive Officers, with the long-term interests of our shareholders. We believe these objectives are achieved by employing the following philosophy and best practices:

- Focusing executives on consistently achieving both revenue and earnings growth;
- Annually evaluating the competitiveness of our compensation programs relative to comparable organizations;
- Providing performance-based pay through annual and long-term incentive opportunities that are based on the achievement of specific business objectives (i.e., pay-for-performance);
- Providing equity-based multi-year incentives that promote the creation of long-term shareholder value;
- Rewarding outstanding performance, without encouraging excessive risk-taking;

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- Maintaining stock ownership requirements to ensure that our executive officers hold meaningful equity stakes in Deluxe, together with policies prohibiting transactions intended to hedge these ownership positions;
- Incorporating double-trigger vesting provisions in stock option and other equity-based awards upon a change in control;
- Implementing clawback provisions with respect to executive officer incentive awards;
- Engaging an independent compensation consultant;
- Prohibiting the pledging or hedging of Company stock by our directors and executive officers;
- Entering into noncompetition and non-solicitation agreements with certain key employees; and
- Providing limited perquisites and no tax gross-up on perquisites.

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**Roles of Committee, Outside Compensation Consultants and Management in Compensation Decisions**

Our executive compensation program is designed to align all components of pay opportunity (base pay, annual incentive pay, long-term incentive pay, and benefits) at or near the median of the market, for each component and as a whole, and reward performance that meets or exceeds performance goals that are established, reviewed and approved each year by the Compensation Committee of the Board of Directors (sometimes referred to in this section as the Committee). In arriving at the appropriate levels of pay and incentive opportunities, the Committee also considers the degree to which the structure of the program rewards reasonable risk-taking, and the overall cost of the compensation program so as to achieve proper balance between the need to reward employees and to deliver returns to Deluxe's shareholders. Accordingly, the Committee annually reviews the proportionate share of operating income used to reward employee performance through our incentive plans.

The Committee has responsibility for guiding our executive compensation philosophy and overseeing the design of executive compensation programs. The Committee also recommends the compensation to be paid to the CEO (with approval from the full Board of Directors) and approves the compensation paid to other executive officers. The Committee is composed entirely of independent directors as defined by NYSE corporate governance standards. In order to ensure a holistic view of the compensation and benefits provided to our executives, the Committee reviews on an annual basis a summary (or tally sheet) of all elements of compensation for each member of the Company's Executive Leadership Team. The Committee also monitors, with the support of management and the Committee's independent compensation consultants, developing best practices in the area of executive compensation, including recommended pay principles published by various trade, legal and advisory groups. While the Committee remains focused on constructing an executive compensation program that will best serve the specific needs of Deluxe and the interests of our shareholders, we believe our program incorporates a responsible approach to pay structure, risk management and transparency.

The Committee has engaged, and regularly meets with, an independent compensation consultant to assist the Committee in making decisions regarding our executive compensation practices. Towers Watson has served as the Committee's independent consultant since 2001. This consultant is deemed independent in that it is selected by, and reports directly to, the Committee with its primary contact being the Chair of the Committee. The Committee regularly meets with Towers Watson in executive session without management present and conducts an annual review of the consultant's performance. In addition, the Committee periodically evaluates the relationship with Towers Watson in order to identify and assess any potential conflicts of interest and Towers Watson's continued independence. No conflicts or independence issues were deemed to exist in 2013. Among other factors supporting Tower Watson's continued independence, the only services provided to the Company by Towers Watson in 2013 consisted of the consulting services provided to the Committee on executive and director compensation matters.

Management supports the work of the Committee and its independent consultant by providing information and data, as requested. Company executives also make recommendations with respect to incentive plan targets in the context of management's business and operational plans. At the request of the Committee, the CEO attends each Committee meeting, meets with the Committee and independent consultant as necessary to discuss business strategy, and also meets with the Committee annually to discuss each executive's individual performance and make recommendations on incentive awards and adjustments to base salary for those executives. The Committee evaluates the CEO's performance each year and provides recommendations to the Board regarding the CEO's compensation based on that evaluation and current market data provided by the independent consultant.

**Competitive Market Review and Peer Group**

Consistent with its practice in prior years, for 2013, the Committee commissioned Towers Watson to provide a competitive market review of Deluxe's executive compensation program in comparison to relevant information drawn from other companies' executive compensation

practices. The data presented by Towers Watson was used for analyzing the following: the nature, merit and recommended value of each

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pay component; the mix of base pay, annual incentive compensation, and long-term incentive values for the Named Executive Officers; and other benefit-related decisions.

Based on the recommendation of its compensation consultant, the Committee reviewed two sources of data: published surveys and proxy peer data. The first source is market data drawn from three published broad-based third-party surveys of general industry compensation practices, consisting of the 2012 Towers Watson Top Management Compensation Survey, 2012 Mercer Executive Compensation Survey, and 2012 Towers Watson Executive Compensation Survey. Towers Watson screened the compensation databases for the position content most similar to each of Deluxe's executive positions. Given that Deluxe does not have access to the identity of individual survey respondents and that the reporting companies vary widely in size, Towers Watson did not benchmark Deluxe's practices against specific companies' practices within the survey pool, but instead used regression analysis to statistically predict the level of compensation that a company of a given size in revenue would pay for a given position. The Committee then used the information derived from the regression analysis as a general data point in assessing the reasonableness of the Company's executive compensation practices. In addition, the Committee reviews data from a peer group of companies with which the Compensation Committee believes Deluxe competes in the market for executive talent. This group of companies is referred to as the Peer Group. In selecting companies for the Peer Group, the Compensation Committee considered various criteria, including, but not limited to, revenue size, market capitalization, industry relevance, business cycle and financial performance. As of December 31, 2013, the Peer Group was comprised of the following 19 companies:

ACCO Brands Corporation	Ennis Inc.	Paychex, Inc.
CBIZ, Inc.	Equifax Inc.	Schawk Inc.
Cenveo Inc.	Fiserv, Inc.	Total System Services, Inc.
Consolidated Graphics, Inc.	Insperty, Inc.	Vistaprint N.V.
DST Systems Inc.	Intuit Inc.	Web.com Group Inc.
Dun & Bradstreet Corp.	Iron Mountain Inc.	
EarthLink Inc.	Jack Henry & Associates Inc.	

The Peer Group data is specifically used for Executive Leadership Team compensation review, realizable pay for performance comparison and non-employee director compensation review. For 2013, Deluxe delivered a total shareholder return (TSR) of 65%, ranking its TSR performance in the 85th percentile of the Peer Group.

**Executive Officer Compensation Program**

The Compensation Committee seeks to design the executive compensation program in a manner that is competitive with and reflects the dynamics of the market in which the Company competes for talent. In constructing an overall compensation program, the Committee balances those components that are fixed (such as base salary and benefits) against components that are variable and require the achievement of certain levels of performance. The Committee also strives for a balance between compensation components that reward executives for the achievement of short-term goals with those that focus on the long-term growth of the Company. Each year the Committee reviews the form and value of long-term incentive grants to ensure alignment with the Company's overall compensation philosophy and to reward attainment of Company goals.

**Elements of Compensation**

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For 2013, the principal components of our executive compensation program consisted of the following, each of which is addressed below in greater detail:

- base salary;
- annual incentive plan;

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- long-term incentives in the form of stock options and a multi-year cash performance plan;
- non-qualified deferred compensation plan;
- broad-based defined contribution retirement plan; and
- cash allowance program in lieu of perquisites.

**Compensation Mix**

The primary components of compensation (base salary and performance-based pay in the form of annual and long-term incentives) for our Named Executive Officers in 2013 were allocated, at targeted levels of performance, to provide a greater weighting on performance-based pay compared to base salary. Performance-based pay is not guaranteed, but is awarded based upon successful achievement of pre-established criteria. The average target percentage of performance-based pay for the Named Executive Officers is 63 percent of total compensation, with the CEO at 78 percent of total compensation. Of the total performance-based compensation for the Named Executive Officers, approximately 60 percent is targeted to be long-term compensation, with the remaining 40 percent delivered through annual compensation. Compared to Deluxe's general employee population, the Committee believes that executives, including the Named Executive Officers, should have a greater percentage of their total compensation dependent upon reaching performance targets, a higher percentage of which is oriented toward long-term objectives rather than short-term performance.

The Company uses pay-for-performance principles throughout its compensation program. Adjustments in base pay are linked to performance through the annual performance evaluation process, with salary increase guidelines structured to provide greater base pay increases for those who achieve higher than a successful performance rating and lower increases, if any, for those who perform at a successful level or below. The Deluxe Corporation Annual Incentive Plan ( Annual Incentive Plan ) and long-term Cash Performance Plan (as defined below) are similarly structured to provide an opportunity to earn a higher payout for performance above target and lower payouts, if any, for performance at less than target. The use of stock options as a component of the 2013 long-term incentive program also aligns our pay principles to long-term changes in shareholder value. In addition, our Named Executive Officers are subject to stock ownership and sale guidelines, which restrict their ability to realize value from their equity awards unless they have achieved their ownership targets.

While the design of our executive compensation program is largely performance-based, we do not believe it encourages excessive risk-taking. We believe the combination of compensation elements in the program provides the Named Executive Officers with the appropriate incentives to create long-term value for shareholders by taking thoughtful and prudent actions to grow the Company. Beginning in 2010 and continuing in 2013, the financial metrics used in the Annual Incentive Plan were operating income and revenue, with any payment under the revenue metric being subject to the achievement of a minimum operating income threshold. Payments under the long-term Cash Performance Plan also are tied to achievement of minimum operating margins on new services revenue, as well as threshold TSR performance versus the Peer Group. Each year the Board of Directors reviews the operating plan that forms the basis for the financial performance factors incorporated into the variable compensation plans. This review by the entire Board helps ensure that the targets established under our incentive compensation plans incorporate a reasonable degree of stretch, while at the same time promoting a focus on long-term growth and sustainable financial



performance. As addressed below, our executives also are subject to stock ownership guidelines and clawback policies, both of which serve as further checks against imprudent, short-term decision-making.

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**Base Salaries**

Base salaries provide competitive fixed cash compensation, recognizing different levels of responsibility within the Company. Base pay compensates the Named Executive Officers for their normal day-to-day responsibilities, and is reviewed annually. The CEO makes recommendations to the Compensation Committee for changes to other executives' base salaries based on each executive's individual performance and the market data presented by the Committee's independent compensation consultants. The Committee performs the same analysis with respect to the CEO's salary with input from all of the Board's non-employee directors based on an annual evaluation of the CEO's performance by the Board's non-employee directors.

Base salaries of our executive officers generally are set at or near the median of salaries paid to executive officers of companies of similar size and in similar positions using the data gathered from the compensation surveys referenced above. Deviations from the median can be the result of experience in the position, individual performance exceeding or falling short of expectations, or the individual's scope of responsibilities. Base salaries are the basis for the other performance-driven programs discussed below, as well as our retirement program, in that target awards and contributions under these programs are calculated as a percentage of base salary.

While base salaries are reviewed annually, increases are not automatic or guaranteed. Any adjustments take into account the individual's performance, responsibilities and experience, as well as internal pay equity and external market practices. Base salaries in 2013 for each Named Executive Officer are shown in the Summary Compensation Table. Two of the Named Executive Officers, Mr. Schram and Mr. McRoberts, received an increase in their annual base salary rate from 2012. These increases in base salaries included a merit adjustment for Mr. Schram, and a base salary adjustment to address internal pay equity for Mr. McRoberts based on the scope of his responsibilities relative to similarly situated executives.

**Annual Incentive Plan**

The Annual Incentive Plan provides an incentive for achieving specified financial performance goals that the Company considers to be important contributors to shareholder value. Named Executive Officers and other officers and management employees selected by the Committee participate in the Annual Incentive Plan. The 2013 target awards approved by the Committee under the Annual Incentive Plan (summarized in the table below) were intended to provide annual cash compensation (i.e., base salary plus bonus) approximating the median of the cash compensation offered to executive officers of companies of similar size and in similar positions using the data gathered from compensation surveys. 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 thresholds. The Committee annually reviews the proportionate share of operating income used to reward employee performance through our incentive plans.

The 2013 Annual Incentive Plan consisted of three components. The first two components were based on the Company's performance against specific revenue and operating income metrics. The third component consisted of a group of factors (enterprise factors) developed to assess the Company's progress in transforming Deluxe consistent with its strategic growth initiatives. Plan participants with specific business segment responsibilities had a portion of their bonus opportunity tied to the segment's financial results as well as consolidated results.

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Section 162(m) of the Internal Revenue Code ( Section 162(m) ) places limits on the deductibility of compensation paid to certain executives that is not considered performance-based. In order to ensure that all payments to our executives under the Annual Incentive Plan qualify as performance-based compensation for purposes of Section 162(m), a bonus pool based on the amount of net income (if any) generated by Deluxe during 2013 was established by the Committee at the beginning of the year, along with the maximum payments that could be allocated to each executive subject to Section 162(m). Payments made to these executives were based on the performance criteria applicable to other participants

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under the Plan, and all such payments were less than the maximum amounts allocated to the executives under the Section 162(m) bonus pool.

In addition, in order to promote stock ownership by the Named Executive Officers and other participants, and to further align their interests with those of our shareholders, participants may choose to receive up to 100 percent of their Annual Incentive Plan payout in restricted stock units, in which case the Company will provide a 50 percent match on the amounts elected to be received in restricted stock units. The restricted stock units vest on the second anniversary of the date of the grant. We believe the 50 percent match and two-year vesting period encourage employee stock ownership and employee retention. In 2013, Mr. Peterson elected to receive all of his Annual Incentive Plan compensation payout in deferred stock units and Mr. McRoberts and Mr. Scarfone elected to receive a portion of their Annual Incentive Plan payout in deferred stock units.

**Performance Measures and Objectives under the Annual Incentive Plan**

For the Named Executive Officers and all other participants, the three components that were considered in determining incentive compensation for 2013 under the Annual Incentive Plan were adjusted revenue, adjusted operating income and the enterprise factors. Adjusted revenue and adjusted operating income are based on revenue and operating income as publicly reported by the Company in its consolidated financial statements, but include pre-defined adjustments (as permitted by Section 162(m)) to eliminate the effects of items that are not a part of the operating plan or are beyond management's control, such as the adoption of new accounting principles, asset impairments, certain mergers and acquisitions, restructuring charges, the effects of changes in foreign currency exchange rates, etc. The enterprise factors used in 2013 were intended to serve as leading indicators of the Company's success in executing its growth strategy and to supplement the financial performance metrics. The enterprise factors included a collection of key initiatives and performance indicators intended to assess how well the Company performed in the following areas:

- Continuing to advance the Company's transformational strategy;
- Continuing to improve talent management effectiveness;
- Improving key customer metrics; and
- Strengthening business processes in support of revenue growth.

As indicated above, the Committee also retains discretion to make other adjustments to the financial measurement calculations, provided such adjustments do not result in the payment to any Named Executive Officer in excess of their applicable Section 162(m) bonus pool allocation. We continue to believe revenue, operating income and the enterprise factors are critical drivers of our strategy to achieve profitable and sustainable revenue growth, and thereby create long-term value for our shareholders. Each component was weighted as shown below, with revenue and operating income target performance set in alignment with the Company's annual operating plan (AOP) targets.

In establishing the metrics and payout scales for 2013 under the Annual Incentive Plan, targets were set at ambitious, yet reasonably achievable levels. We also continued to require that a minimum threshold of adjusted operating income be achieved before payments could be made under the adjusted revenue and operating income performance factors. We believe this minimum threshold serves as an effective control on imprudent decision-making, in that it ensures that the revenue growth achieved by the Company is profitable. Given the challenges presented by the economy in general, as well as the specific challenges confronted by small businesses and the continuing secular decline in the core check industry, the Company sought to balance its focus on growth with the need to establish financial performance targets for the year that would afford realistically-achievable incentive opportunities for its employees, while at the same time requiring solid returns to its shareholders.

The target revenue and operating income for the Company were increased for the 2013 plan year to continue to incent growth in 2013. The following table illustrates the 2013 threshold and maximum

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performance levels compared to targets for the adjusted revenue and operating income factors, as well as the corresponding payout percentages (versus the target award opportunity) at each level of performance.

Performance Level	Adjusted Operating Income	Adjusted Revenue	Percent of Target Award (%)
Maximum	105.8% of AOP	104.7% of AOP	200
Target	AOP	AOP	100
Threshold	93.2% of AOP	95.2% of AOP	50
Below Threshold			0

For 2014, the structure of the Annual Incentive Plan will remain substantially the same as in 2013, but will reflect new adjusted revenue and operating income factors, as well as the corresponding payout percentages at each level of performance.

**Actual Annual Incentive Plan Payments**

Deluxe's consolidated performance in 2013 exceeded the threshold performance levels for both adjusted operating income and revenue. As indicated above, for 2013, the Committee also established enterprise factors as a component of performance to be measured in assessing payments to be made under the Annual Incentive Plan. These factors consist of a group of quantitative and qualitative indicators intended to assess the Company's progress on various strategic initiatives. After assessing the Company's performance in the aggregate on the various metrics established for the enterprise factors, the Committee determined that participants should be awarded a payout of 165 percent of target for that component. The actual 2013 performance on all three components is summarized in the following table.

Measures (Dollars in Thousands)	Target (\$)	Actual (\$)	Weighting (%)	Payout Percent (% of target)
Adjusted Operating Income	335,999	336,000	35	100.0
Adjusted Revenue	1,591,000	1,587,800	45	98.9
Enterprise Factors			20	165.0
Blended Payout Percentage				112.5

As indicated above, executive officers with specific business segment responsibilities also have a portion of their Annual Incentive Plan opportunity tied to their segment's adjusted revenue and operating income performance. Of the Named Executive Officers, Messrs. Filby and McRoberts had a portion of their Annual Incentive Plan opportunity tied to business segment performance. Business segment performance is evaluated on the basis of adjusted segment revenue and adjusted segment controllable operating income, which is adjusted segment operating income after removing allocations of corporate overhead costs. The Financial Services segment, for which Mr. Filby is responsible, delivered adjusted revenue at 105.2 percent of the targeted level of \$328,061,000 and adjusted controllable operating income at 106.6 percent of the targeted level of \$130,780,000. The associated payout percentages at these levels of performance were 136.8 percent and 200.0 percent, respectively. With 30 percent of his incentive opportunity based on segment revenue results, 20 percent based on adjusted controllable operating income results for the segment, and 50 percent based on the consolidated performance, Mr. Filby's blended payout percentage for 2013 was 122.10 percent. The Small Business segment, for which Mr. McRoberts is responsible, delivered adjusted revenue at 98.9 percent of the targeted level of \$1,063,933,000 and adjusted controllable operating income at 95.6 percent of the targeted level of \$316,321,000. The associated payout percentages at these levels of performance were 95.2 percent and 95.6 percent,



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respectively. With 30 percent of his incentive opportunity based on segment revenue results, 20 percent based on adjusted controllable operating income results for the segment, and 50 percent based on the consolidated performance, Mr. McRoberts' blended payout percentage for 2013 was 95.8 percent. The amounts earned by all Named Executive Officers under the Annual Incentive Plan for 2013 are included in the Summary Compensation Table appearing later in this Proxy Statement.

**Long-Term Incentive Compensation**

Long-term incentive compensation for our executive officers generally is set at or near the median of long-term compensation paid to executive officers of companies of similar size and in similar positions using the data gathered from compensation surveys. After analyzing a variety of approaches for delivering long-term incentive value to the Named Executive Officers and other key employees who participate in the Company's long-term incentive program, for 2013, the Committee continued to endorse a strategy that employed a combination of stock options and a cash incentive program based on achievement of multi-year performance factors under the Cash Performance Plan ( CPP ). The aggregate targeted value of awards granted to participants in the long-term incentive program for 2013 was allocated 50 percent to stock options and 50 percent to CPP awards.

The stock options granted to the Named Executive Officers and other designated key employees in 2013 have a three-year vesting period. The grant date for the options coincided with the regularly scheduled February Compensation Committee meeting. The timing of the annual grants also aligns with the employee performance evaluation process and is outside any regular stock trading blackout period. In calculating the number of stock options required to deliver the targeted award value, the Committee has used a Black-Scholes valuation methodology based on the average price of the Company's stock over a 50-day trading period preceding the share calculation date. The Committee believes that this methodology addresses the potential impact of fluctuations in stock price around the grant date. The exercise price for all option grants, however, is the closing price of Deluxe common stock on the NYSE on the applicable grant date, meaning that no actual value will be realized by option recipients unless there is stock price appreciation following the grant date.

For 2013, the structure of the long-term incentive program remained substantially the same as for 2012, with the targeted value of awards being allocated 50 percent to stock options and 50 percent to CPP awards. The Cash Performance Plan used as metrics (1) Deluxe's Marketing Solutions and Other Services ( MSOS ) Revenue, combined with Adjusted Operating Margin, and (2) Total Shareholder Return ( TSR ) versus the Peer Group (a new criterion for 2013). Each of these two metrics were weighted equally, and are measured over a three-year period ending in 2015. MSOS is a category of products and services that are considered to be high growth and, therefore, an important indicator of the Company's ability to achieve its long-term growth initiatives. To reach its goals, Deluxe must make significant progress in each year of the three year performance period. The payout amount can vary from 0 percent to 200 percent of the target CPP award value depending upon the performance level achieved by the end of 2015, after exceeding a minimum MSOS Revenue and Operating Margin threshold. The use of TSR is a growing practice among the Peer Group and we believe it is an effective way to align executive performance with the interests of our shareholders. As is the case with our Annual Incentive Plan, the 2013 CPP awards were structured so as to ensure that any payouts ultimately made to executives under the applicable award agreements will qualify as performance-based compensation for purposes of Section 162(m).

For 2014, the structure of the long-term incentive program will be modified to deliver the targeted value of awards through a combination of performance shares, restricted stock, and stock options. Generally speaking, each of these components will account for approximately one-third of the total targeted value to be delivered to each participant in the program. The Committee determined that this structure not only was more consistent with the prevailing Peer Group practices, but also was more appropriate given the Company's continuing strategic transformation and its need to retain key talent and maintain competitive pay practices. Like the CPP, the new Performance Share Plan ( PSP ) will use as metrics (1) MSOS Revenue, combined with Adjusted Operating Margin, and (2) TSR versus the Peer Group, will have a three year performance period, and will require a threshold level of performance before any payout can be earned. In addition, no dividends will be paid or accrued on unvested PSP shares. The Committee





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concluded that a performance share plan provided a more effective method of aligning performance with shareholder interests than a cash plan by promoting increased share ownership by employees. Restricted stock awards also would vest after a three year period and further align the interests of our employees with those of our shareholders while promoting employee retention.

The Company believes our long-term incentive plan design properly balances and achieves several critical objectives and best practices, including:

- Supporting and rewarding the achievement of Deluxe's long-term business strategy and objectives;
- Encouraging decisions and behavior that will increase 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.

All long-term incentive awards to the Named Executive Officers and other key employees are granted on the same date, with the exception of awards made in conjunction with an individual's promotion or hire into the Company, or as necessary to facilitate broader retention of key employees.

**Cash Performance Plan for Period Ending 2013**

The Company's 2011 CPP had a three-year performance period that expired at the end of 2013. The 2011 CPP focused attention on growth of Services Revenue, defined as revenue from the sale of services including, but not limited to, fraud monitoring and protection, web design and hosting, payroll, logo design, business networking, rewards checking, customer loyalty and retention services, but excluding revenue from sales of tangible goods including, but not limited to checks, other printed products, accessories, promotional products and packaging supplies. The metrics for the 2011 CPP specified threshold, target and maximum ranges of Services Revenue at given ranges of operating margin. Even though the Company accelerated Services Revenue growth in each successive year during the 2011 CPP three-year performance period, the Company did not achieve the minimum threshold performance criterion of \$285 million in Services Revenue, and as a result, no payment was made under the 2011 CPP.

**Deferred Compensation Plan**

The Deluxe Corporation Deferred Compensation Plan is intended to promote executive retention by providing a long-term savings opportunity on a tax-efficient basis. Under this plan, which complies with the requirements of Section 409A of the Internal Revenue Code ( "Section 409A" ), Named Executive Officers and other key employees may choose to defer up to 100 percent of base salary (less applicable deductions) and up to 50 percent of any Annual Incentive Plan payout into multiple investment options. This plan also contains a provision that restores benefits lost under the defined contribution pension plan and the annual profit sharing plan due to Internal Revenue Code limits. Contributions for the Named Executive Officers under this provision for 2013 are reflected in the All Other Compensation column of the Summary Compensation Table. The investment options are similar to the investment options available to employees in the Company's broad-based retirement plans. The majority of payouts from this plan commence following termination of employment, based on elections made by the participants in accordance with, and subject to, any delays in payment that otherwise might be required by Section 409A.

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**Retirement Program**

The Named Executive Officers are eligible to participate in the same qualified broad-based retirement plans that are available to most employees. The program consists of two components, a 401(k) plan and an annual profit sharing plan (under which contributions, if any, are based on Deluxe's performance). Prior to 2011, Deluxe also had a defined contribution pension plan, but contributions to this plan were suspended in 2011. The retirement program at Deluxe is regularly compared with retirement programs of companies that are in businesses similar to ours and/or are located in geographic areas from which we recruit talent to ensure that the Company remains competitive in the market. The incremental value of benefits provided to the Named Executive Officers under this program is included in the All Other Compensation column of the Summary Compensation Table.

**Personal Choice Program**

All of our Named Executive Officers, with the exception of our CEO, Mr. Schram, participated in the executive officer Personal Choice Program. The Personal Choice Program provides a fixed cash allowance to participating Named Executive Officers in lieu of any other perquisites. The quarterly cash allowance of \$7,500 for Senior Vice Presidents and \$5,000 for Vice Presidents on the Executive Leadership Team is intended to cover personal expenses typically incurred by executives as a result of their positions (such as financial and tax planning, vehicle mileage, etc.). No gross-ups are provided on the amounts paid under this program. As with the other compensation components, this program is assessed against market data regarding perquisite programs on an annual basis. The Company chose this program structure because it is more flexible for the executives, less administratively burdensome and less costly to the Company.

**Stock Ownership Guidelines; Pledging and Hedging Policies**

Deluxe has established stock ownership guidelines for its executive officers and directors. The Committee annually reviews each executive officer's and director's progress toward attaining his or her ownership target. The current target for the CEO is five times (5x) annual base salary, for all Senior Vice Presidents is two times (2x) annual base salary and for Vice Presidents who are members of the Executive Leadership Team is one-and-one-half times (1½x) annual base salary. The guidelines call for the targeted level of ownership to be achieved within five years of the date the individual becomes subject to the target. For purposes of calculating an executive's stock ownership under these guidelines, stock options are not included. While restricted stock and restricted stock units convertible into shares are included, only 60 percent of their value is counted toward the ownership target prior to vesting, based on the rationale that approximately 40 percent of such shares or units will be withheld or surrendered by the executive upon vesting to cover taxes. In the past twelve months executives have continued to increase their actual share ownership, and the Committee continues to review each individual's ownership on an annual basis. Each Named Executive Officer has achieved his ownership target, or is so newly subject to the ownership guidelines that the Committee has no reason to believe that the target will not be reached by the individual's deadline.

In addition to the stock ownership guidelines, the executive officers and directors are subject to share retention and holding period requirements. Under this policy, individuals who have not achieved their ownership targets must retain 100 percent 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. The Company also maintains policies prohibiting directors and executive officers from pledging Company stock and from engaging in any transactions intended to hedge the economic risk of ownership in Deluxe stock. These policies prohibit executive officers and directors from directly or indirectly (i) purchasing any financial instrument or entering into any transaction that is designed to hedge or offset any decrease in the market value of the Company's stock (including, but not limited to, prepaid forward contracts, short sales, equity swaps, or collars), or (ii) pledging, hypothecating, or otherwise encumbering shares of Deluxe stock as

collateral for indebtedness. This prohibition includes, but is not limited to, holding such shares in a margin account where such shares are used as collateral for a loan.

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**Clawback Practices**

For many years, Deluxe has maintained clawback provisions in its equity agreements, which can be triggered for a broad range of misconduct by the award recipient. In 2009, the Company extended its clawback policy to cover the recoupment of annual bonuses and other incentive awards, including awards under the Annual Incentive Plan and Cash Performance Plan, granted to officers subject to Section 16 of the Exchange Act. This extended policy took effect with awards granted in 2010, and covers situations where misconduct by the executive contributes to a restatement of the Company's financial statements. While the Company had adopted and broadened its clawback policy prior to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (referred to as the Dodd-Frank Act), the policy will be amended consistent with any forthcoming regulations under the Dodd-Frank Act after they are published.

**Severance, Retention and Change of Control Arrangements**

Deluxe maintains severance arrangements or agreements with each of its Named Executive Officers (collectively arrangements). The arrangements are intended to facilitate the executives' attention to the affairs of Deluxe and to recognize their key role within the Company. If their employment is terminated without cause by Deluxe or by the executive with good reason, he or she is eligible to receive severance pay and benefits. The Severance Calculations table appearing later in this Proxy Statement, together with the accompanying narrative to that table, explains in detail the benefits provided under these arrangements and the circumstances under which such a Named Executive Officer would be eligible for severance benefits. Receipt of these benefits is conditioned upon the Named Executive Officer entering into a release and agreeing to maintain the confidentiality of Company confidential information for a period of two years after their termination. Mr. Schram's employment agreement also requires that for two years after he ceases to be employed by Deluxe, he will not engage in any business that competes with Deluxe, will not hire any Deluxe employee or induce an employee to provide confidential information to a third party, and will not induce any customer or supplier to stop doing business with the Company. Mr. Filby and Mr. McRoberts also are subject to agreements that contain similar restrictions for a one-year period after they cease to be employed by Deluxe.

The Company also maintains retention agreements (Retention Agreements) with those current executives who became executive officers prior to 2010. The Retention Agreements are addressed in greater detail in the narrative accompanying the Change of Control Calculations table appearing later in this Proxy Statement. Generally speaking, however, these Retention Agreements provide incentives for the executive officer to remain with Deluxe through a change of control, and provide certain benefits in the event the executive officer's employment is negatively impacted as a result of, or following, a change of control. In other words, benefits are not paid out automatically upon a change of control, but only if such executive officer's employment is negatively affected (i.e., a double trigger). Moreover, the severance arrangements described above do not apply if the executive officer's employment is terminated following a change of control under circumstances that would entitle them to receive benefits under the Retention Agreements. The Retention Agreements comply with Section 409A, have a renewable term of two years, place a limit on tax gross-up payments, and provide a payment multiple of three times salary and bonus for the CEO, two times for Senior Vice Presidents, and one time for Vice Presidents on the Executive Leadership Team. No new Retention Agreements have been entered into by the Company, nor have any existing Agreements been amended, since 2010.

**Advisory Vote on Say-on-Pay**

At the 2013 annual meeting of shareholders, the results of our shareholders' advisory vote on the compensation of our Named Executive Officers (say-on-pay) were as follows:

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- 36,715,010 shares For (or 95.58% of the shares voted);
- 1,507,048 shares Against (or 3.92% of the shares voted); and
- 187,469 shares Abstain (or 0.48% of the shares voted).

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The Compensation Committee considered the results of the say-on-pay advisory vote. Given that these results reflected strong support for our Named Executive Officers' compensation, the Committee did not make any changes to executive compensation policies and decisions directly as a result of the 2013 say-on-pay advisory vote. Nevertheless, we continue to monitor best practices with respect to the design of executive compensation programs, assess our compensation programs in light of our strategic initiatives for delivering shareholder value, regularly assess risk inherent in our compensation programs, and solicit views of analysts and investors in the course of our regular interactions with them.

As a result of an advisory vote of shareholders in 2012 strongly supporting a say-on-pay vote every year, shareholders are again asked to provide an advisory vote on the compensation of our Named Executive Officers as Item 2 appearing earlier in this Proxy Statement.

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

Section 162(m) 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 2009 Cash Performance Plan ( 2009 CPP ) incorporated a minimum retention payment feature in the event the threshold performance levels could not be achieved. Although the Company achieved its threshold performance objectives under the 2009 CPP, the retention feature prevented the Company from treating payouts under the 2009 CPP (which are reported for 2011 in the Summary Compensation Table found later in this Proxy Statement, but were paid in 2012) as performance-based compensation under Section 162(m). This resulted in a portion of the compensation paid to Mr. Schram in 2012 not qualifying for deductibility under Section 162(m). We expect, however, that all compensation paid in 2013 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 performance-based compensation provisions of Section 162(m).

The Company believes that it is important to continue to be able to take all available tax deductions with respect to the compensation paid to its executive officers, and has taken such actions as may be necessary to continue to qualify significant portions of executive compensation as performance-based under Section 162(m).

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and be incorporated by reference into Deluxe Corporation's Annual Report on Form 10-K for the year ended December 31, 2013.

**MEMBERS OF THE COMPENSATION COMMITTEE**

*Don J. McGrath, Chair*  
*Charles A. Haggerty*  
*Neil J. Metviner*



*Mary Ann O Dwyer*

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**Executive Compensation Tables**

The Summary Compensation Table, 2013 All Other Compensation Supplemental Table, and Grants of Plan-Based Awards in 2013 table presented on the following pages summarize the total compensation paid to or earned by our Named Executive Officers, which include (i) each of the individuals who served as Deluxe's Chief Executive Officer or Chief Financial Officer during any part of 2013, and (ii) the next three most highly compensated individuals serving as executive officers at the end of the year. The following narrative is provided to help you understand the information presented in those tables.

The base salaries of Named Executive Officers were generally set at or near the median for executive officers in similar positions at the Peer Group identified earlier in the Compensation Discussion and Analysis section of this Proxy Statement. Reference also was made to data derived from broad-based compensation surveys, appropriately adjusted through the use of regression analysis ( regression data ). The Named Executive Officers participate in the Company's Annual Incentive Plan, under which bonuses can be earned based on pre-established performance criteria. For 2013, these criteria included adjusted revenue, adjusted operating income and enterprise factors, a pre-defined set of initiatives developed to support the Company's growth strategy. As discussed in the Compensation Discussion and Analysis section of this Proxy Statement, the Compensation Committee determined that the Company exceeded the threshold levels of performance established for the various criteria, and therefore approved Annual Incentive Plan payments for 2013.

All of the Named Executive Officers participate in a long-term incentive program ( LTIP ), pursuant to which they were awarded stock options and cash performance plan awards that provide for future pay-outs based upon longer term financial metrics. The aggregate target value of LTIP awards approximates the median of long-term incentive compensation provided to executive officers in the Peer Group or regression data. In 2013, LTIP awards to Named Executive Officers were granted on the same day as awards to all eligible employees. The exercise price of options is the closing price of Deluxe's stock on the grant date. The options vest annually in three equal installments beginning on the first anniversary of the grant date.

Targeted award levels under the Cash Performance Plan ( CPP ) are reported in the Grants of Plan-Based Awards Table, but are not reflected in the Summary Compensation Table until the relevant performance period has been completed and actual payouts, if any, are approved by the Compensation Committee. The CPP awards reported in the Grants of Plan-Based Awards Table for 2013 employ a three-year performance period, and measure the level of marketing solutions and other services ( MSOS ) revenue achieved by the end of 2015, the operating margin achieved on such revenue, and the Company's total shareholder return ( TSR ) versus a peer group during the three-year period. The CPP also establishes threshold levels of MSOS revenue and operating margin, as well as TSR performance, before any amount can be earned. As indicated in the Summary Compensation Table and accompanying footnotes, no payouts were made in connection with the CPP for the performance periods ending in 2013 or 2012, but a payout was made for the performance period ending in 2011.

The Named Executive Officers, other than the CEO, also participate in a program that provides a quarterly cash allowance for personal expenses typically incurred by executives, as discussed in the Compensation Discussion and Analysis section of this Proxy Statement.

Table of Contents**SUMMARY COMPENSATION TABLE**

Lee J. Schram Chief Executive Officer	2013	831,500	0	0	1,270,308	1,029,027	26,432	3,157,267
	2012	809,000	0	0	974,140	1,184,946	33,733	3,001,819
	2011	805,000	0	0	1,018,960	1,468,283	19,845	3,312,088
Terry D. Peterson Senior Vice President & Chief Financial Officer	2013	407,000	0	412,064	316,914	42	58,229	1,194,249
	2012	400,833	0	288,180	307,865	128,103	60,965	1,185,946
	2011	364,167	0	182,559	322,420	153,251	54,280	1,076,677
John D. Filby <sup>6</sup> Senior Vice President, Financial Services	2013	460,000	0	0	290,394	280,800	35,784	1,066,978
	2012	308,409	200,000	229,981	239,704	128,889	122,378	1,229,361
Malcolm J. McRoberts <sup>7</sup> Senior Vice President, Small Business Services	2013	420,833	0	108,847	290,394	169,352	45,278	1,034,704
	2012	387,500	0	108,920	259,158	169,464	45,338	970,380
	2011	316,667	0	0	163,128	233,289	39,530	752,614
Anthony C. Scarfone Senior Vice President, General Counsel & Secretary	2013	355,000	0	53,912	226,746	203,696	43,454	882,808
	2012	353,833	0	63,593	243,535	240,291	44,765	946,017
	2011	345,833	0	0	254,740	360,858	53,125	1,014,556

(1) Under the terms of Mr. Filby's employment offer, a portion of his 2012 annual incentive opportunity was guaranteed. Based on the Company's performance, Mr. Filby's actual incentive payment under the Annual Incentive Plan (AIP) exceeded the guaranteed amount. As a result, the guaranteed portion is reflected in this column, and the remainder of the payout is shown in the Non-Equity Incentive Plan Compensation column.

(2) The amounts in this column reflect the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 for awards of stock during the fiscal years ended December 31, 2013, 2012 and 2011. Assumptions used in the calculation of these amounts are included in Note 10 to the Company's Consolidated Financial Statements filed as part of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. As described in the Compensation Discussion and Analysis section of this Proxy Statement, recipients of awards under the AIP 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 in lieu of cash, the amount of the cash foregone is increased at a match rate established by the Compensation Committee in determining the number of units awarded. The aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for these stock units also is reflected in this column.

For all years reported, the AIP match rate was 50 percent. For AIP awards earned during 2013, restricted stock units were granted on January 21, 2014 in lieu of cash compensation in the amount of 8,056 units (\$412,064) to Mr. Peterson; 2,128 units (\$108,847) to Mr. McRoberts; and 1,054 units



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(\$53,912) to Mr. Scarfone. For AIP awards earned during 2012, restricted stock units were granted on January 22, 2013 in lieu of cash compensation in the amount of 8,456 units (\$288,180) to Mr. Peterson; 3,196 units (\$108,920) to Mr. McRoberts; and 1,866 units (\$63,593) to Mr. Scarfone. For AIP awards earned during 2011, restricted stock units were granted on January 24, 2012 in lieu of cash compensation in the amount of 7,795 units (\$182,559) to Mr. Peterson. The number of restricted stock units received was based on the closing price of the Company's common stock on the NYSE on the date of grant of such units (\$51.15 on January 21, 2014, \$34.08 on January 22, 2013, and \$23.42 on January 24, 2012, respectively). The portion of each executive's AIP compensation paid in cash is included in the Non-Equity Incentive Plan Compensation column. The estimated possible threshold, target, and maximum values for the 2013 AIP, including the 50 percent match based on the individual elections made by each Named Executive Officer prior to the start of the plan period, are listed in the Grants of Plan-Based Awards in 2013 table.

The 2012 stock award value for Mr. Filby reflects a restricted stock grant made under the Company's Long-Term Incentive Plan as part of Mr. Filby's employment offer, and vested after a period of one year.

(3) The amounts in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for awards of stock options during the fiscal year ended December 31, 2013, 2012, and 2011. Assumptions used in the calculation of these amounts are included in Note 10 to the Company's Consolidated Financial Statements in our Annual Reports on Form 10-K for the fiscal years ended December 31, 2013, 2012, and 2011, as applicable.

(4) Amounts listed in this column reflect cash amounts paid to the Named Executive Officers under the AIP and CPP. As explained earlier in this Proxy Statement, CPP payouts (if any) appear in this column upon completion of the multi-year performance period associated with such award. No payouts were made under the CPP for 2013 or 2012. Payouts were made under the CPP for 2011. As described in the Compensation Discussion and Analysis section of this Proxy Statement and footnote 2 to this table, recipients of awards under the AIP 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. The FASB ASC Topic 718 aggregate grant date fair value attributable to awards taken as restricted stock units is listed in the Stock Awards column, while the portion of AIP compensation paid in cash is included in this column. The estimated possible threshold, target and maximum values for the 2013 AIP, including the 50 percent match based on the individual elections made by each Named Executive Officer prior to the start of the plan period, are included in the Grants of Plan-Based Awards in 2013 table. For 2012 and 2013, the amounts reported relate entirely to the AIP, as there were no CPP payments for these years. For 2011, the amounts include cash received under the AIP and CPP as follows: Mr. Schram, AIP (\$747,383) CPP (\$720,900); Mr. Peterson, AIP (\$81,161) CPP (\$72,090); Mr. McRoberts, AIP (\$149,184) CPP (\$84,105); Mr. Scarfone, AIP (\$192,648) CPP (\$168,210). For 2013, Mr. Peterson elected to defer all, and for 2012 and 2011 he deferred a portion of his AIP compensation in the form of restricted stock units. The cash portion of Mr. Peterson's 2013 AIP (\$42 a true-up amount representing the value of less than one restricted stock unit on the date of grant), 2012 AIP (\$128,103), and 2011 AIP (\$81,161) is included in this column. For 2013 and 2012, Mr. McRoberts elected to defer a portion of his AIP compensation in the form of restricted stock units. The cash portion of Mr. McRobert's 2013 AIP (\$169,352) and 2012 AIP (\$169,464) is included in this column. For 2013 and 2012, Mr. Scarfone elected to defer a portion of his AIP compensation in the form of restricted stock units. The cash portion of Mr. Scarfone's 2013 AIP (\$203,696) and 2012 AIP (\$240,291) is included in this column.

(5) A detailed description of the 2013 amounts listed in this column is contained in the 2013 All Other Compensation Supplemental Table immediately following this table.

(6) Mr. Filby was hired in 2012 as Senior Vice President, Financial Services and began his service on April 30, 2012.



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(7) Mr. McRoberts changed positions on March 1, 2011 from Senior Vice President, Chief Information and Technology Officer to Senior Vice President, Small Business Services.

**2013 ALL OTHER COMPENSATION TABLE**

<b>Name</b>	<b>Perks and Other Personal Benefits<sup>1</sup> (\$)</b>	<b>Company Contributions to Defined Contribution Plans (\$)</b>	<b>Dividends or Earnings on Stock Awards<sup>2</sup> (\$)</b>	<b>Other<sup>3</sup> (\$)</b>	<b>Total (\$)</b>
Lee J. Schram	11,270	10,838	0	4,324	26,432
Terry D. Peterson	30,000	10,838	16,251	1,140	58,229
John D. Filby	30,000	2,600	2,415	1,538	35,784
Malcolm J. McRoberts	30,000	10,838	3,196	1,244	45,278
Anthony C. Scarfone	30,000	10,838	1,866	750	43,454

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(1) Amounts for Mr. Schram reflect the premium paid by the Company for a supplemental long-term disability insurance policy to provide him with coverage equal to two-thirds of his base salary in the event of a disability meeting the requirements of the policy. Amounts for all other Named Executive Officers reflect a Personal Choice Program cash allowance. There is no tax gross-up for the supplemental coverage or the Personal Choice Program.

(2) Amounts reflect dividends and dividend equivalents paid on restricted stock and restricted stock units, respectively. Dividend equivalents are paid at the same rate and at the same time as regularly declared dividends.

(3) Amounts listed are ERISA excess and benefit plan equivalent amounts.

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**GRANTS OF PLAN-BASED AWARDS IN 2013**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>1</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>2</sup>			All Other Awards: Number of Securities Under-lying Options <sup>3</sup>	Exercise or Base Price of Option Awards <sup>4</sup>	Grant Date Fair Value of Stock and Option Awards <sup>4</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	(#)	(\$/Sh)	(\$)
Lee J. Schram										
Long-Term Incentive Program	2/20/2013	131,250	1,050,000	2,100,000				95,800	38.80	1,270,308
Annual Incentive Plan	2/20/2013	459,800	919,600	1,839,200						
Terry D. Peterson										