

DELUXE CORP
Form 424B2
September 03, 2003
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File No. 333-104858

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JULY 11, 2003

U.S.\$250,000,000

Deluxe Corporation

Medium-Term Notes

Due Nine Months or More from Date of Issue

We may offer from time to time up to \$250,000,000 of our Medium-Term Notes. Each note will mature on a date nine months or more from its date of original issuance.

The notes will bear interest at either a fixed or a floating rate. Interest will be paid on the dates stated in the applicable pricing supplement.

The notes may be either callable by us or puttable by you, if specified in the applicable pricing supplement.

The specific terms of each note offered will be described in the applicable pricing supplement, and the terms may differ from those described in this prospectus supplement.

Investing in the notes may involve risk. See Foreign Currency Risks on page S-21 and Risk Factors on page 3 of the accompanying prospectus.

	Price to Public	Agent s Commissions or Discounts(1)	Proceeds to Company
Per Note(2)	100%	.125%-.750%	99.875%-99.250%
Total(3)	\$250,000,000	\$312,500-\$1,875,000	\$249,687,500-\$248,125,000

- (1) Commissions with respect to notes with a stated maturity more than thirty years from date of issue will be negotiated at the time of sale.
- (2) We may issue notes at a discount or a premium to the applicable principal amount. If we do, the public offering price and the proceeds to us will be set forth in the applicable pricing supplement.
- (3) Or the equivalent in other currencies or currency units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or any accompanying prospectus or pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Banc One Capital Markets, Inc.

Wachovia Securities

The date of this prospectus supplement is September 2, 2003.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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ABOUT THIS PROSPECTUS SUPPLEMENT; PRICING SUPPLEMENTS

We may use this prospectus supplement, together with the accompanying prospectus and a pricing supplement, to offer our Medium-Term Notes, at various times. The total initial public offering price of notes that may be offered by use of this prospectus supplement is US\$250,000,000 or its equivalent in foreign or composite currencies or, in the case of notes issued at an original issue discount, such principal amount as will result in an aggregate initial offering price not to exceed that amount.

The following description of the particular terms of the notes offered by this prospectus supplement (referred to in the accompanying prospectus as the debt securities) supplements the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus, which description you should also read. If this description differs in any way from the description in the accompanying prospectus, you should rely on this description. Unless we specify otherwise in the applicable pricing supplement, the notes will have the terms described below.

Each time we issue notes we will deliver a pricing supplement to this prospectus supplement. The pricing supplement will describe the notes being offered and the terms of the offering. The pricing supplement may also add, update or change information in this prospectus supplement or the accompanying prospectus. Any information in the applicable pricing supplement, including any changes in the method of calculating interest on any note, that is inconsistent with this prospectus supplement will apply and will supersede that information in this prospectus supplement.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus and the applicable pricing supplement in making your investment decision. You should also read and consider the information in the documents we have referred you to in [Where You Can Find More Information; Incorporation by Reference](#) on page 16 of the accompanying prospectus.

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DESCRIPTION OF NOTES

General

The notes will be direct, unsecured and unsubordinated obligations of Deluxe Corporation. We will issue the notes on a continuing basis under an indenture dated as of April 30, 2003, between us and Wells Fargo Bank Minnesota, N.A., as trustee. The following summaries of certain provisions of the indenture do not purport to be complete, and are subject to, and are qualified in their entirety by reference to, all the provisions of the indenture, including the definitions in the indenture of certain terms.

We will use this prospectus supplement and any pricing supplement in connection with the offer and sale from time to time of notes in an aggregate initial public offering price of up to U.S.\$250,000,000 or its equivalent in other currencies, currency units or composite currencies (or, if any notes are issued at original issue discount, we will use the initial offering price of those notes in calculating the aggregate principal amount of notes offered by this prospectus supplement). If we issue securities under the accompanying prospectus from time to time, the aggregate principal amount of notes we may offer with this prospectus supplement may be proportionately reduced. We refer you to Plan of Distribution in this prospectus supplement and in the accompanying prospectus.

The pricing supplement relating to a note will describe the following terms:

the currency or currency unit in which the note is denominated and, if different, the currency or currency unit in which payments of principal and interest on the note will be made (and, if the specified currency is other than U.S. dollars, any other terms relating to that foreign currency note and the specified currency);

whether the note bears a fixed rate of interest or bears a floating rate of interest (including whether the note is a regular floating rate note, a floating rate/fixed rate note or an inverse floating rate note (each as defined below));

the issue price;

the issue date;

the maturity date;

if the note is a fixed rate note, the interest rate, if any, interest payment dates, if any, and whether we can extend the maturity of the note;

if the note is a floating rate note, the interest rate basis, the initial interest rate, the interest payment dates, the index maturity, the spread and/or spread multiplier, if any (each as defined below), and any other terms relating to the particular method of calculating the interest rate for that note;

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if the note is an indexed note (as defined below), the terms relating to the particular note;

if the note is a dual currency note (as defined below), the terms relating to the particular note;

if the note is an amortizing note (as defined below), the amortization schedule and any other terms relating to the particular note;

whether the note is an original issue discount note;

whether the note may be redeemed at our option, or repaid at the option of the holder, prior to its stated maturity as described under Redemption at Our Option and Repayment at the Noteholders Option; Repurchase below and, if so, the provisions relating to redemption or repayment, including, in the case of any original issue discount notes, the information necessary to determine the amount due upon redemption or repayment;

any relevant tax consequences associated with the terms of the notes which have not been described under Certain United States Federal Income Tax Considerations below; and

any other terms not inconsistent with the provisions of the indenture.

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Subject to the additional restrictions described under Special Provisions Relating to Foreign Currency Notes , each note will mature on a day, nine months or more from the date of issue, as specified in the applicable pricing supplement and agreed to between us and the initial purchaser. In the event that the maturity date of any note or any date fixed for redemption or repayment of any note is not a business day (as defined below), principal and interest payable at maturity or upon redemption or repayment will be paid on the next succeeding business day with the same effect as if that following business day was the date on which the payment was due. We will not pay any additional interest as a result of the delay in payment. Except as may be provided in the applicable pricing supplement and except for indexed notes, all notes will mature at par.

We are offering the notes on a continuing basis, in denominations of \$1,000 and any integral multiples of \$1,000 unless otherwise specified in the applicable pricing supplement, except that notes in specified currencies other than U.S. dollars will be issued in the denominations set forth in the applicable pricing supplement. We refer you to Special Provisions Relating to Foreign Currency Notes .

The Company may, without the consent of the holders of the notes, offer additional notes having the same terms in all respects as the notes. The notes and those additional notes would be treated as a single series for all purposes under the indenture and will vote as one class on all matters with respect to the notes.

The interest rates we will offer to pay with respect to the notes may differ depending upon, among other things, the aggregate principal amount of the notes purchased in any single transaction.

Interest and Interest Rates

Unless otherwise specified in the applicable pricing supplement, each note will bear interest at either:

a fixed rate specified in the applicable pricing supplement; or

a floating rate specified in the applicable pricing supplement determined by reference to an interest rate basis, which may be adjusted by a spread and/or spread multiplier (each as defined below). Any floating rate note may also have either or both of the following:

a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period; and

a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period.

In addition, the interest rate on floating rate notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Each note will bear interest from its date of issue or from the most recent date to which interest on that note has been paid or duly provided for, at the fixed or floating rate specified in the note, until the principal amount has been paid or made available for payment. Interest will be payable on each interest payment date (except for certain original issue discount notes and except for notes originally issued between a regular record

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date and an interest payment date) and at maturity or on redemption or repayment, if any. Unless otherwise indicated in the applicable pricing supplement, interest payments in respect of the notes will equal the amount of interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid with respect to the applicable note) to but excluding the related interest payment date or the maturity date, as the case may be.

Interest will be payable to the person in whose name a note is registered at the close of business on the regular record date next preceding the related interest payment date, except that:

if we fail to pay the interest due on an interest payment date, the defaulted interest will be paid to the person in whose name the note is registered at the close of business on the record date the trustee will establish for the payment of defaulted interest; and

interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable.

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The first payment of interest on any note originally issued between a regular record date and an interest payment date will be made on the interest payment date following the next succeeding regular record date to the registered owner on such next succeeding regular record date. We may change the interest rates and interest rate formulae from time to time, but such change will not affect any note previously issued or which we have agreed to issue but have not yet delivered.

Fixed Rate Notes

Each fixed rate note will bear interest at the annual rate specified in the applicable pricing supplement. The interest payment dates for fixed rate notes will be specified in the applicable pricing supplement and the regular record dates will be the fifteenth calendar day (whether or not a business day) prior to each interest payment date, unless otherwise specified in the applicable pricing supplement. Unless otherwise specified in the applicable pricing supplement, interest on fixed rate notes will be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date for any payment on any fixed rate note is not a business day, payment of interest, premium, if any, or principal otherwise payable on that fixed rate note will be made on the next succeeding business day. We will not pay any additional interest as a result of the delay in payment.

Floating Rate Notes

Unless otherwise specified in an applicable pricing supplement, floating rate notes will be issued as described below. The applicable pricing supplement will specify certain terms with respect to which each floating rate note is being delivered, including:

whether the floating rate note is a regular floating rate note, an inverse floating rate note or a floating rate/fixed rate note;

the interest rate basis or bases;

initial interest rate;

interest reset dates;

interest reset period;

interest payment dates;

index maturity;

maximum interest rate and minimum interest rate, if any;

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the spread and/or spread multiplier, if any; and

if one or more of the specified interest rate bases is London Inter Bank Offer Rate (LIBOR), the index currency, if any, as described below.

Unless otherwise specified in the applicable pricing supplement, each regular record date for a floating rate note will be the fifteenth calendar day (whether or not a business day) prior to each interest payment date.

The interest rate borne by the floating rate notes will be determined as follows:

Unless a floating rate note is designated as a floating rate/fixed rate note or an inverse floating rate note, the floating rate note will be designated a regular floating rate note and, except as described below or in an applicable pricing supplement, will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

plus or minus the applicable spread, if any; and/or

multiplied by the applicable spread multiplier, if any.

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Unless otherwise specified in the applicable pricing supplement, commencing on the initial interest reset date, the rate at which interest on the regular floating rate note will be payable will be reset as of each interest reset date; provided, however, that the interest rate in effect for the period from the original issue date to the initial interest reset date will be the initial interest rate.

If a floating rate note is designated as a floating rate/fixed rate note, then, except as described below or in an applicable pricing supplement, the note will initially bear interest at the rate determined by reference to the applicable interest rate basis or bases:

plus or minus the applicable spread, if any; and/or

multiplied by the applicable spread multiplier, if any.

Commencing on the initial interest reset date, the rate at which interest on the floating rate/fixed rate note will be payable shall be reset as of each interest reset date, except that:

the interest rate in effect for the period from the original issue date to the initial interest reset date will be the initial interest rate; and

the interest rate in effect commencing on, and including, the fixed rate commencement date (as specified in the applicable pricing supplement) to the maturity date will be the fixed interest rate specified in the applicable pricing supplement, or if no fixed interest rate is so specified and the floating rate/fixed rate note is still outstanding on the fixed rate commencement date, the interest rate in effect on the floating rate/fixed rate note on the day immediately preceding the fixed rate commencement date.

If a floating rate note is designated as an inverse floating rate note, then, except as described below or in an applicable pricing supplement, the note will bear interest equal to the fixed interest rate specified in the related pricing supplement:

minus the rate determined by reference to the interest rate basis or bases;

plus or minus the applicable spread, if any; and/or

multiplied by the applicable spread multiplier, if any.

Unless otherwise specified in the applicable pricing supplement, the interest rate on an inverse floating rate note will not be less than zero. Commencing on the initial interest reset date, the rate at which interest on the inverse floating rate note is payable will be reset as of each interest reset date; provided, however, that the interest rate in effect for the period from the original issue date to the initial interest reset date will be the initial interest rate.

Notwithstanding the foregoing, if a floating rate note is designated as having an addendum attached, the floating rate note will bear interest in accordance with the terms described in the addendum and the applicable pricing supplement. We refer you to Other Provisions; Addenda below.

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Unless otherwise provided in the applicable pricing supplement, each interest rate basis will be the rate determined in accordance with the applicable provisions below. Except as set forth above or in the applicable pricing supplement, the interest rate in effect on each day will be:

if that day is an interest reset date, the interest rate as determined on the interest determination date (as defined below) immediately preceding that interest reset date; or

if that day is not an interest reset date, the interest rate determined on the interest determination date immediately preceding the next preceding interest reset date.

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Except for the fixed rate period described above for floating rate/fixed rate notes, interest on floating rate notes will be determined by reference to an interest rate basis, which may be one or more of:

the CD rate;

the Commercial Paper rate;

the Federal Funds rate;

LIBOR;

the Prime rate;

the Treasury rate; or

any other interest rate basis or interest rate formula described in the applicable pricing supplement.

The spread is the number of basis points to be added to or subtracted from the related interest rate basis or bases applicable to a floating rate note. The spread multiplier is the percentage of the related interest rate basis or bases applicable to a floating rate note by which such interest rate basis or bases will be multiplied to determine the applicable interest rate on such floating rate note. The index maturity is the period to maturity of the instrument or obligation with respect to which the interest rate basis or bases will be calculated. We may change the spread, spread multiplier, index maturity and other variable terms of the floating rate notes from time to time, but that change will not affect any floating rate note previously issued or which we have agreed to issue but have not yet delivered.

Each applicable pricing supplement will specify whether the rate of interest on the related floating rate note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or such other specified interest reset period and the dates on which that interest rate will be reset. Unless otherwise specified in the applicable pricing supplement, the interest reset date will be, in the case of floating rate notes which reset:

daily, each business day;

weekly, a business day that occurs in each week as specified in the applicable pricing supplement (with the exception of weekly reset Treasury rate notes, which will reset the Tuesday of each week except as specified below);

monthly, a business day that occurs in each month as specified in the applicable pricing supplement;

quarterly, a business day that occurs in each third month as specified in the applicable pricing supplement;

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semi-annually, a business day that occurs in each of two months of each year as specified in the applicable pricing supplement; and

annually, a business day that occurs in one month of each year as specified in the applicable pricing supplement.

If any interest reset date for any floating rate note would otherwise be a day that is not a business day, as defined below, that interest reset date will be postponed to the next succeeding day that is a business day, except that in the case of a floating rate note as to which LIBOR is an applicable interest rate basis, if that business day falls in the next succeeding calendar month, the interest reset date will be the immediately preceding business day.

Business day means, unless otherwise specified in the applicable pricing supplement, any day that is not a Saturday or Sunday and that is not a day on which banking institutions are generally authorized or obligated by law, regulation or executive order to close in The City of New York and any other place of payment with respect to the applicable notes and:

with respect to LIBOR notes, business day will also be a London business day;

with respect to notes denominated in euro, business day will also be a day on which the TransEuropean Real-Time Gross Settlement Express Transfer (TARGET) System is in place; and

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with respect to notes denominated in a specified currency other than U.S. dollars or euro, business day will not include a day on which banking institutions are generally authorized or obligated by law, regulation or executive order to close in the principal financial center of the country of the specified currency.

London business day means, with respect to LIBOR notes denominated in any currency specified in the applicable pricing supplement, any day on which dealings in that currency are transacted in the London interbank market.

Except as provided below or in an applicable pricing supplement, interest will be payable on the maturity date and in the case of floating rate notes which reset:

daily, weekly or monthly, on a business day that occurs in each month, as specified in the applicable pricing supplement;

quarterly, on a business day that occurs in each third month, as specified in the applicable pricing supplement;

semi-annually, on a business day that occurs in each of two months of each year as specified in the applicable pricing supplement; and

annually, on a business day that occurs in one month of each year, as specified in the applicable pricing supplement.

If any interest payment date for any floating rate note would otherwise be a day that is not a business day, that interest payment date will be the next succeeding day that is a business day, and we will not pay any additional interest as a result of the delay in payment, except that if a note is a LIBOR note and if the next business day falls in the next succeeding calendar month, the interest payment date will be the immediately preceding business day. If the maturity date of a floating rate note falls on a day that is not a business day, the payment of principal, premium, if any, and interest, if any, will be made on the next succeeding business day, and we will not pay any additional interest for the period from and after the maturity date.

All percentages resulting from any calculation on floating rate notes will be to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards (e.g., 5.876545% (or .05876545) would be rounded to 5.87655% (or .0587655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

With respect to each floating rate note, accrued interest is calculated by multiplying the face amount of the note by an accrued interest factor. The accrued interest factor is computed by adding the interest factor calculated for each day from and including the later of (a) the date of issue and (b) the last day to which interest has been paid or duly provided for, to but excluding the last date for which accrued interest is being calculated. Unless otherwise specified in the applicable pricing supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to that day by 360, in the case of notes for which the interest rate basis is the CD rate, the Commercial Paper rate, the Federal Funds rate, LIBOR or the Prime rate, or by the actual number of days in the year in the case of notes for which the interest rate basis is the Treasury rate. The accrued interest factor for notes for which the interest rate may be calculated with reference to two or more interest rate bases will be calculated in each period by selecting one such interest rate basis for this period in accordance with the provisions of the applicable pricing supplement.

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The interest rate applicable to each interest reset period commencing on the interest reset date with respect to that interest reset period will be the rate determined as of the interest determination date. Unless otherwise specified in the applicable pricing supplement, the interest determination date with respect to the CD rate, the Commercial Paper rate, the Federal Funds rate and the Prime rate will be the second business day preceding each interest reset date for the related note; and the interest determination date with respect to LIBOR will be the second London business day preceding each interest reset date for the related note. With respect to the Treasury rate, unless otherwise specified in an applicable pricing supplement, the interest determination date will be the

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day in the week in which the related interest reset date falls on which day Treasury bills (as defined below) are normally auctioned (Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday on the week preceding the related interest reset date, the related interest determination date will be that preceding Friday; and provided, further, that if an auction falls on any interest reset date then the related interest reset date will instead be the first business day following that auction. Unless otherwise specified in the applicable pricing supplement, the interest determination date pertaining to a floating rate note, the interest rate of which is determined with reference to two or more interest rate bases, will be the latest business day which is at least two business days prior to each interest reset date for that floating rate note. Each interest rate basis will be determined and compared on that date, and the applicable interest rate will take effect on the related interest reset date, as specified in the applicable pricing supplement.

Unless otherwise provided for in the applicable pricing supplement, Wells Fargo Bank Minnesota, N.A. will be the calculation agent and for each interest reset date will determine the interest rate with respect to any floating rate note as described below. The calculation agent will notify us, the paying agent and the trustee of each determination of the interest rate applicable to a floating rate note promptly after such determination is made. The trustee will, upon the request of the holder of any floating rate note, provide the interest rate then in effect and, if determined, the interest rate which will become effective as a result of a determination made with respect to the most recent interest determination date relating to that note. Unless otherwise specified in the applicable pricing supplement, the calculation date, where applicable, pertaining to any interest determination date will be the earlier of (a) the tenth calendar day after that interest determination date or, if that day is not a business day, the next succeeding business day or (b) the business day preceding the applicable interest payment date or maturity date, as the case may be.

Unless otherwise specified in the applicable pricing supplement, the calculation agent will determine the interest rate basis with respect to floating rate notes as follows:

CD Rate Notes. CD rate notes will bear interest at the interest rate (calculated with reference to the CD rate and the spread and/or spread multiplier, if any) specified in the CD rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, CD rate means, with respect to any interest determination date relating to a CD rate note, the rate on the date for negotiable certificates of deposit having the index maturity designated in the applicable pricing supplement as published by the Board of Governors of the Federal Reserve System in Statistical Release H.15(519), Selected Interest Rates under the heading CDs (Secondary Market), or any successor publication or, if not so published by 3:00 p.m., New York City time, on the calculation date pertaining to that interest determination date, the CD rate will be the rate on that interest determination date for negotiable certificates of deposit of the index maturity designated in the applicable pricing supplement as published by the Federal Reserve Bank of New York in its daily update of H.15(519) available through the world-wide web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15/update> or any successor site or publication of the Board of Governors under the heading Certificates of Deposit. If that rate is not yet published in either H.15(519) or H.15 daily update by 3:00 p.m., New York City time, on the calculation date pertaining to an interest determination date, the calculation agent will calculate the CD rate on that interest determination date, which will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on that interest determination date, for negotiable certificates of deposit of major United States money market banks with a remaining maturity closest to the index maturity designated in the applicable pricing supplement in an amount that is representative for a single transaction in that market at that time as quoted by three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the calculation agent; provided, however, that if the dealers selected as aforesaid by the calculation agent are not quoting as set forth above, the CD rate with respect to that interest determination date will be the same as the CD rate in effect for the immediately preceding interest reset period (or, if there was no preceding interest reset period, the rate of interest shall be the initial interest rate).

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Commercial Paper Rate Notes. Commercial Paper rate notes will bear interest at the interest rate (calculated with reference to the Commercial Paper rate and the spread and/or spread multiplier, if any) specified in the Commercial Paper rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, Commercial Paper rate means, with respect to any interest determination date relating to a Commercial Paper rate note, the money market yield (as defined below) of the rate on that date for commercial paper having the index maturity designated in the applicable pricing supplement, as published in H.15(519), under the heading Commercial Paper Non-Financial . In the event that the rate is not published prior to 3:00 p.m., New York City time, on the calculation date pertaining to that interest determination date, then the Commercial Paper rate will be the money market yield of the rate on the interest determination date for commercial paper of the specified index maturity as published in H.15 daily update under the heading Commercial Paper (with an index maturity of one month or three months being deemed to be equivalent to an index maturity of 30 days or 90 days, respectively). If by 3:00 p.m., New York City time, on that calculation date the rate is not yet available in either H.15(519) or H.15 daily update, then the calculation agent will calculate the Commercial Paper rate on that interest determination date, which will be the money market yield corresponding to the arithmetic mean of the offered rates as of approximately 11:00 a.m., New York City time, on that interest determination date for commercial paper of the specified index maturity placed for a non-financial issuer whose bond rating is AA , or the equivalent, from a nationally recognized rating agency as quoted by three leading dealers of commercial paper in The City of New York selected by the calculation agent; provided, however, that if the dealers selected as aforesaid by the calculation agent are not quoting offered rates as set forth above, the Commercial Paper rate with respect to that interest determination date will be the same as the Commercial Paper rate for the immediately preceding interest reset period (or, if there was no preceding interest reset period, the rate of interest will be the initial interest rate).

Money market yield will be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where D refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and M refers to the actual number of days in the period for which interest is being calculated.

Federal Funds Rate Notes. Federal Funds rate notes will bear interest at the interest rate (calculated with reference to the Federal Funds rate and the spread and/or spread multiplier, if any) specified in the Federal Funds rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Federal Funds rate means, with respect to any interest determination date relating to a Federal Funds rate note, the rate on such date for Federal Funds as published in H.15(519) under the heading Federal Funds (effective) or, if not so published by 3:00 p.m., New York City time, on the calculation date pertaining to that interest determination date, the Federal Funds rate will be the rate on that interest determination date as published in H.15 daily update under the heading Federal Funds (effective) . If that rate is not published in either H.15(519) or H.15 daily update by 3:00 p.m., New York City time, on the calculation date pertaining to that interest determination date, the calculation agent will calculate the Federal Funds rate for that interest determination date, which will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds as of 9:00 a.m., New York City time, on that interest determination date arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the calculation agent; provided, however, that if the brokers selected as aforesaid by the calculation agent are not quoting as set forth above, the Federal Funds rate with respect to that interest determination date will be the same as the Federal Funds rate in effect for the immediately preceding interest reset period (or, if there was no preceding interest reset period, the rate of interest will be the initial interest rate).

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LIBOR Notes. LIBOR notes will bear interest at the interest rate (calculated with reference to LIBOR and the spread and/or spread multiplier, if any) specified in the LIBOR notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the calculation agent will determine LIBOR for each interest reset date as follows:

With respect to an interest determination date relating to a LIBOR note, LIBOR will be the rate for deposits in the London interbank market in the index currency (as defined below) having the index maturity designated in the applicable pricing supplement commencing on the second London business day immediately following that interest determination date that appears on the Designated LIBOR Page (as defined below) as of 11:00 a.m., London time, on that interest determination date. If no rate appears on the Designated LIBOR Page, LIBOR in respect of that interest determination date will be determined as if the parties had specified the rate described in the following paragraph.

With respect to an interest determination date relating to a LIBOR note to which the last sentence of the previous paragraph applies, the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in the index currency for the period of the index maturity designated in the applicable pricing supplement commencing on the second London business day immediately following that interest determination date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative for a single transaction in that index currency in such market at that time. If at least two such quotations are provided, LIBOR determined on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, LIBOR determined on that interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. (or such other time specified in the applicable pricing supplement), in the principal financial center of the country of the specified index currency, on that interest determination date for loans made in the index currency to leading European banks having the index maturity designated in the applicable pricing supplement commencing on the second London business day immediately following that interest determination date and in a principal amount that is representative for a single transaction in that index currency in that market at that time by three major banks in that principal financial center selected by the calculation agent; provided, however, that if the banks so selected by the calculation agent are not quoting as mentioned in this sentence, LIBOR with respect to that interest determination date will be the same as LIBOR in effect for the immediately preceding interest reset period (or, if there was no preceding interest reset period, the rate of interest will be the initial interest rate).

Index currency means the currency (including currency units and composite currencies) specified in the applicable pricing supplement as the currency with respect to which LIBOR will be calculated. If no currency is specified in the applicable pricing supplement, the index currency will be U.S. dollars.

Designated LIBOR Page means the display on Page 3750 (or any other page specified in the applicable pricing supplement) of the Dow Jones Telerate Service for the purpose of displaying the London interbank offered rates of major banks for the applicable index currency (or such other page as may replace that page on that service for the purpose of displaying such rates).

Prime Rate Notes. Prime rate notes will bear interest at the interest rate (calculated with reference to the Prime rate and the spread and/or spread multiplier, if any) specified in the Prime rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, Prime rate means, with respect to any interest determination date, the rate set forth in H.15(519) for that date opposite the caption Bank Prime Loan . If that rate is not yet published by 9:00 a.m., New York City time, on the calculation date pertaining to that interest determination date, the Prime rate for that interest determination date will be the arithmetic mean of

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the rates of interest publicly announced by each bank named on the Bloomberg Prime Rate by Top Banks Page (as

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defined below) as that bank's prime rate or base lending rate as in effect for that interest determination date as quoted on the Bloomberg Prime Rate by Top Banks Page on that interest determination date, or, if fewer than four of these rates appear on the Bloomberg Prime Rate by Top Banks Page for that interest determination date, the rate will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on that interest determination date by at least two of the three major money center banks in The City of New York selected by the calculation agent from which quotations are requested. If fewer than two quotations are provided, the calculation agent will calculate the Prime rate, which will be the arithmetic mean of the prime rates in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, in each case having total equity capital of at least \$500 million and being subject to supervision or examination by federal or state authority, selected by the calculation agent to quote prime rates. Bloomberg Prime Rate by Top Banks Page means the display designated as the Prime Rate by Top Banks page on Bloomberg Professional (or such other page as may replace the Prime Rate by Top Banks Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Treasury Rate Notes. Treasury rate notes will bear interest at the interest rate (calculated with reference to the Treasury rate and the spread and/or spread multiplier, if any) specified in the Treasury rate notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Treasury rate means, with respect to any interest determination date relating to a Treasury rate note, the rate applicable to the most recent auction of direct obligations of the United States, which we refer to as Treasury bills, having the index maturity designated in the applicable pricing supplement, as published in H.15(519) under the heading Treasury Bills auction average (investment) or, if not so published by 3:00 p.m., New York City time, on the calculation date pertaining to that interest determination date, the auction average rate on that interest determination date (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury bills having the index maturity designated in the applicable pricing supplement are not published or reported as provided above by 3:00 p.m., New York City time, on that calculation date or if no such auction is held in a particular week, then the Treasury rate will be the rate as published in H.15(519) under the heading Treasury Bills secondary market, or any successor publication or heading. In the event that rate is not published by 3:00 p.m., New York City time, on that calculation date, then the calculation agent will calculate the Treasury rate, which will be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) calculated using the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on that interest determination date, of three leading primary United States government securities dealers (which may include one or more of the agents or their affiliates) selected by the calculation agent for the issue of Treasury bills with a remaining maturity closest to the index maturity designated in the applicable pricing supplement; provided, however, that if the dealers selected by the calculation agent are not quoting bid rates as mentioned in this sentence, the Treasury rate with respect to the interest determination date will be the same as the Treasury rate in effect for the immediately preceding interest reset period (or, if there was no preceding interest reset period, the rate of interest will be the initial interest rate).

Indexed Notes

Notes also may be issued with the principal amount payable at maturity or interest to be paid on the notes, or both, to be determined with reference to the price or prices of specified commodities or stocks, the exchange rate of a specified currency relative to one or more other currencies, currency units or composite currencies specified in a pricing supplement, or such other price or exchange rate as may be specified in the notes, as set forth in a pricing supplement relating to those indexed notes. Holders of indexed notes may receive a principal amount on the maturity date that is greater than or less than the face amount of the indexed notes, or an interest rate that is greater than or less than the stated interest rate on the indexed notes, or both, depending upon the structure of the indexed note and the relative value on the maturity date or at the relevant interest payment date, as the case may be, of the specified indexed item. However, the amount of interest or principal payable with

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respect to an indexed note will not be less than zero. Information as to the method for determining the principal amount payable on the maturity date, the manner of determining the interest rate, historical information with respect to the specified indexed item and tax considerations associated with an investment in indexed notes will be set forth in the applicable pricing supplement.

An investment in indexed notes may be much riskier than a similar investment in conventional fixed-rate debt securities. If the interest rate of an indexed note is indexed, it may result in an interest rate that is less than that payable on conventional fixed-rate debt securities issued by us at the same time, including the possibility that no interest will be paid. If the principal amount of an indexed note is indexed, the principal amount payable at maturity may be less than the original purchase price of such indexed note, including the possibility that no principal will be paid, resulting in an entire loss of investment. Additionally, if the formula used to determine the principal amount or interest payable with respect to those indexed notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity or interest rate index may be increased. We refer you to [Foreign Currency Risks](#) .

Dual Currency Notes

Dual currency notes are notes as to which we have a one time option, exercisable on a specified date in whole, but not in part, with respect to all dual currency notes issued on the same day and having the same terms, of making all payments of principal, premium, if any, and interest after the exercise of that option, whether at maturity or otherwise (which payments would otherwise be made in the face amount currency of those notes specified in the applicable pricing supplement), in the optional payment currency specified in the applicable pricing supplement. The terms of the dual currency notes together with information as to the relative value of the face amount currency compared to the optional payment currency and as to tax considerations associated with an investment in dual currency notes will also be set forth in the applicable pricing supplement.

If we elect on any option election date specified in the applicable pricing supplement to pay in the optional payment currency instead of the face amount currency, payments of interest, premium, if any, and principal made after that option election date may be worth less, at the then current exchange rate, than if we had made those payments in the face amount currency. We refer you to [Foreign Currency Risks](#) .

Renewable Notes

We may also issue from time to time variable rate renewable notes which will mature on an interest payment date specified in the applicable pricing supplement unless the maturity of all or a portion of the principal amount of the notes is extended in accordance with the procedures set forth in the applicable pricing supplement.

Short-Term Notes

We may offer from time to time notes with maturities from nine months to one year. Unless otherwise indicated in the applicable pricing supplement, interest on short-term notes will be payable at maturity. Unless otherwise indicated in the applicable pricing supplement, interest on short-term notes that are floating rate notes (other than Treasury rate notes) will be computed on the basis of the actual number of days elapsed divided by 360, and interest on short-term notes that are Treasury rate notes will be computed on the basis of the actual number of days elapsed divided by a year of 365 or 366 days, as the case may be.

Extension of Maturity

The pricing supplement will indicate whether we have the option to extend the maturity of a note (other than an amortizing note) for one or more periods up to but not beyond the final maturity date set forth in the pricing supplement. If we have that option with respect to any note (other than an amortizing note), we will describe the procedures in the applicable pricing supplement.

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Amortizing Notes

Amortizing notes are notes for which payments combining principal and interest are made in installments over the life of the note. Payments with respect to amortizing notes will be applied first to interest due and payable on the notes and then to the reduction of the unpaid principal amount of the notes. We will provide further information on the additional terms and conditions of any issue of amortizing notes in the applicable pricing supplement. A table setting forth repayment information in respect of each amortizing note will be included in the applicable pricing supplement and set forth on the notes.

Original Issue Discount Notes

We may offer notes from time to time at an issue price (as specified in the applicable pricing supplement) that is less than 100% of the principal amount of the note (i.e., par). Original issue discount notes may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance. We refer to the difference between the issue price of an original issue discount note and par as the discount. In the event of redemption, repayment or acceleration of maturity of an original issue discount note, the amount payable to the holder of an original issue discount note will be equal to the sum of (a) the issue price (increased by any accruals of discount) and, in the event of any redemption by us of that original issue discount note (if applicable), multiplied by the initial redemption percentage specified in the applicable pricing supplement (as adjusted by the initial redemption percentage reduction, if applicable) and (b) any unpaid interest on that original issue discount note accrued from the date of issue to the date of that redemption, repayment or acceleration of maturity.

Unless otherwise specified in the applicable pricing supplement, for purposes of determining the amount of discount that has accrued as of any date on which a redemption, repayment or acceleration of maturity occurs for an original issue discount note, the discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the initial period (as defined below), corresponds to the shortest period between interest payment dates for the applicable original issue discount note and, for zero coupon original issue discount notes, a six-month compounding period (with ratable accruals within a compounding period), a coupon rate equal to the initial coupon rate applicable to that original issue discount note and an assumption that the maturity of that original issue discount note will not be accelerated. If the period from the date of issue to the initial interest payment date for an original issue discount note is shorter than the compounding period for such original issue discount note, a proportionate amount of the yield for an entire compounding period will be accrued. If the initial period is longer than the compounding period, then that initial period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable discount may differ from the accrual of original issue discount for purposes of the Internal Revenue Code.

Certain original issue discount notes may not be treated as having original issue discount for federal income tax purposes, and notes other than original issue discount notes may be treated as issued with original issue discount for federal income tax purposes. We refer you to Certain United States Federal Income Tax Considerations.

Redemption at Our Option

Unless otherwise provided in the applicable pricing supplement, we cannot redeem the notes prior to maturity. We may redeem the notes at our option prior to the maturity date only if an initial redemption date is specified in the applicable pricing supplement. If so specified, we can redeem the notes at our option on any date on and after the applicable initial redemption date in whole or from time to time in part in increments of \$1,000 or such other minimum denomination specified in such pricing supplement (provided that any remaining principal amount of notes will be at least \$1,000 or other minimum denomination), at the applicable redemption price, together with unpaid interest accrued to the date of

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redemption, on notice given not more than 60 nor less than 30 calendar days prior to the date of redemption and in accordance with the provisions of the indenture. By redemption price for a note, we mean an amount equal to the initial redemption percentage specified in the applicable pricing supplement (as adjusted by the annual redemption percentage reduction specified in the pricing supplement, if applicable) multiplied by the unpaid principal amount of the note to be redeemed. The

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initial redemption percentage, if any, applicable to a note will decline on each anniversary of the initial redemption date by an amount equal to the applicable annual redemption percentage reduction, if any, until the redemption price is equal to 100% of the unpaid principal amount to be redeemed. The redemption price of original issue discount notes is described above under [Original Issue Discount Notes](#) .

Foreign currency notes may be subject to different restrictions on redemption. We refer you to [Special Provisions Relating to Foreign Currency Notes](#) [Minimum Denominations, Restrictions on Maturities, Repayment and Redemption](#) .

Repayment at the Noteholders' Option; Repurchase

Holders may require us to repay notes prior to maturity only if one or more optional repayment dates are specified in the applicable pricing supplement. If so specified, we will repay notes at the option of the holders on any optional repayment date in whole or in part from time to time in increments of \$1,000 or other minimum denomination specified in the applicable pricing supplement (provided that any remaining principal amount thereof will be at least \$1,000 or that other minimum denomination), at a repayment price equal to 100% of the unpaid principal amount to be repaid, together with unpaid interest accrued to the date of repayment. A holder who wants us to repay a note prior to maturity must deliver the note, together with the form [Option to Elect Repayment](#) properly completed, to the trustee at its corporate trust office (or any other address that we specify in the pricing supplement or notify holders of from time to time) no more than 60 nor less than 30 calendar days prior to the date of repayment. Exercise of a repayment option by the holder will be irrevocable. The repayment price of original issue discount notes is described above under [Original Issue Discount Notes](#) . Notwithstanding the foregoing, we will comply with Section 14(e) under the Securities Exchange Act of 1934, as amended (the [Exchange Act](#)), to the extent applicable, and any other tender offer rules under the Exchange Act which may then be applicable, in connection with any obligation of ours to repurchase notes.

Only the depositary may exercise the repayment option in respect of global notes representing book-entry notes. Accordingly, beneficial owners of global notes that desire to have all or any portion of book-entry notes represented by global notes repaid must direct the participant of the depositary through which they own their interest to direct the depositary to exercise the repayment option on their behalf by delivering the related global note and duly completed election form to the trustee. In order to ensure that the global note and election form are received by the trustee on a particular day, the applicable beneficial owner must so direct the participant through which it owns its interest before that participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, beneficial owners should consult the participants through which they own their interest for the respective deadlines of those participants. All instructions given to participants from beneficial owners of global notes relating to the option to elect repayment will be irrevocable. In addition, at the time instructions are given by a beneficial owner, the beneficial owner must cause the participant through which it owns its interest to transfer that beneficial owner's interest in the global note or notes representing the related book-entry notes, on the depositary's records, to the trustee. We refer you to [Book-Entry, Delivery and Form](#) below.

Foreign currency notes may be subject to different restrictions on repayment. We refer you to [Special Provisions Relating to Foreign Currency Notes](#) [Minimum Denominations, Restrictions on Maturities, Repayment and Redemption](#) .