MEDIMMUNE INC /DE
Form DEF 14A
April 21, 2006

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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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

MedImmune, Inc.

(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):

þ No fee required.
o 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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of
Annual Meeting
and Proxy
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April 21, 2006

Dear MedImmune Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders to be held at our headquarters at One MedImmune Way, Gaithersburg, Maryland 20878, on May 25, 2006, at 10:00 a.m. local time. Information about the meeting, the nominees for directors and the proposals to be considered is presented in the Notice of Annual Meeting of Stockholders and the Proxy Statement on the following pages.

In addition to the formal items of business to be brought before the meeting, I will report on our operations during 2005. This will be followed by a question and answer period.

Your participation in MedImmune s affairs is important, regardless of the number of shares you hold. To ensure your representation, even if you cannot attend the meeting, please sign, date and return the enclosed proxy promptly.

We look forward to seeing you on May 25.

Sincerely,

David M. Mott
Chief Executive Officer,
President and Vice Chairman

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 25, 2006

The Annual Meeting of Stockholders of MedImmune, Inc. will be held at our headquarters at One MedImmune Way, Gaithersburg, Maryland on May 25, 2006 at 10:00 a.m. local time, for the following purposes:

1. To elect nine directors;

2. To approve an amendment to the 2003 Non-Employee Directors Stock Option Plan to increase the number of shares authorized for issuance under the plan from 800,000 shares to 1,350,000 shares;

3. To approve and ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2006; and

4. To transact such other business as may properly come before the meeting and any adjournment thereof.

Stockholders of record at the close of business on March 31, 2006 are entitled to receive notice of, and to vote at, the Annual Meeting.

By Order of the Board of Directors,

William C. Bertrand, Jr.
Corporate Secretary

One MedImmune Way
Gaithersburg, Maryland 20878
April 21, 2006

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PROXY STATEMENT
GENERAL INFORMATION

The Board of Directors of MedImmune, Inc. (MedImmune, the company, we, us or our) furnishes this Proxy Statement to stockholders along with the solicitation of proxies to be voted at the Annual Meeting of Stockholders on May 25, 2006. We are mailing this Proxy Statement, the accompanying proxy card and Annual Report to Stockholders on or about April 21, 2006. The presiding officer will decide the procedures we will use in conducting our business and we generally limit the scope to matters properly brought before the meeting at the suggestion of the Board of Directors or by a stockholder pursuant to provisions requiring advance notice and disclosure of relevant information. On March 31, 2006, the record date for the meeting, there were 248,712,020 outstanding shares of our common stock, $0.01 par value per share. Each share is entitled to one vote. Stockholders do not have cumulative voting rights.

Voting of Proxies

Since many of our stockholders are unable to attend our Annual Meeting, the Board of Directors solicits proxies to provide each stockholder with an opportunity to vote on all matters scheduled to come before the meeting and set forth in this Proxy Statement. You should read the material in this Proxy Statement carefully, and specify your choice on each matter by marking the appropriate boxes on the enclosed proxy card. Please sign, date and return the card in the enclosed, stamped envelope. If you wish to vote by telephone or via the internet, please follow the instructions included with the proxy card. The American Stock Transfer & Trust Company, our independent proxy-processing agent, receives stockholder proxies and the vote is certified by the Inspectors of Election at the Annual Meeting.

If you do not specify a choice on the proxy card, but the card is properly signed and returned, your shares will be voted by the proxy committee as we recommend. A stockholder who signs a proxy may revoke or revise that proxy at any time before the Annual Meeting. Even if you return a proxy, you may cancel it by voting a ballot at the Annual Meeting.

Our proxy committee consists of David M. Mott, Chief Executive Officer, President and Vice Chairman, and William C. Bertrand, Jr., Senior Vice President, General Counsel, Secretary and Corporate Compliance Officer. Returned proxy cards also give the proxy committee discretionary authority to vote all represented shares of stock, including any matter presented after March 31, 2006, subject to federal securities laws. If any of the nominees for director named in Proposal 1 Election of Directors should be unavailable for election, the proxies will be voted for the election of such other person as we may recommend in place of such nominee.

Stockholders Entitled to Vote

If you are a stockholder of record at the close of business on March 31, 2006, you are entitled to receive notice of the Annual Meeting and to vote the shares you hold as of that date. In order for the Annual Meeting to be held, the holders of a majority of the issued and outstanding shares of our stock entitled to vote at the meeting must be represented in person or by proxy. The election of directors requires a plurality of the votes of the stockholders represented at the meeting and all other matters to be submitted to the stockholders require the affirmative vote of the holders of a majority of the shares represented at the meeting. Abstentions have the same effect as a vote against any such matter. Broker non-votes are deemed not entitled to vote and are not counted as votes for or against any such matter. Under the rules of the National Association of Securities Dealers (the NASD), brokers holding stock for the accounts of their clients who have not been given specific voting instructions may vote client proxies in their discretion with respect to Proposal 1 Election of Directors and Proposal 3 Appointment of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm for 2006.

Attendance at Annual Meeting

To ensure the availability of adequate space for our stockholders wishing to attend the Annual Meeting, priority seating will be given to stockholders of record, beneficial owners of our stock having evidence of such ownership, or their authorized representatives, and invited guests of management. In addition, a stockholder may bring one guest. In order that seating may be equitably allocated, if you wish to bring more than one guest you must write to our Corporate Secretary in advance of the meeting and receive written concurrence. If you are unable to attend, you may request a copy of the report of the proceedings of the meeting from the Corporate Secretary.

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PROPOSAL 1 ELECTION OF DIRECTORS

We will elect nine directors at the Annual Meeting and each director will hold office until their successors are duly elected and qualified. Our By-Laws authorize the Board of Directors from time to time to determine the number of directors. The Board of Directors fills vacancies in unexpired terms and any additional positions created by board action.

The Board of Directors recommends a vote FOR the following nominees:

The table below shows the name and age (as of the date of the Annual Meeting) of each of the directors, any positions and offices held by each with MedImmune, and the period during which each has served as a director.

Name	Age	Position Held	Served as Director Since
Wayne T. Hockmeyer, Ph.D.	61	Founder and Chairman[1*] ; President, MedImmune Ventures, Inc.	1988
David M. Mott	40	Chief Executive Officer, President and Vice Chairman[1]	1995
David Baltimore, Ph.D.	68	Director[2,3]	2003
M. James Barrett, Ph.D.	63	Director[1,3*,4,5]	1988
James H. Cavanaugh, Ph.D.	69	Director[1,5*,6*]	1990
Barbara Hackman Franklin	66	Director[1,4*,5,6]	1995
Gordon S. Macklin	77	Director[2*,4,5]	1994
George M. Milne, Jr., Ph.D.	62	Director[5,6]	2005
Elizabeth H.S. Wyatt	58	Director[2,3,4]	2002

(1) Member of the Executive Committee

(2) Member of the Investment Committee

(3) Member of the Compliance Committee

(4) Member of the Audit Committee

(5) Member of the Compensation and Stock Committee

(6) Member of the Corporate Governance and Nominating Committee

* Chairperson of indicated committee

Dr. Hockmeyer founded MedImmune, Inc. in April 1988 as President and Chief Executive Officer and was elected to serve on the Board of Directors in May 1988. Dr. Hockmeyer became Chairman of the Board of Directors in May 1993. He relinquished his position as Chief Executive Officer in October 2000 and now serves as the Chairman of the Board of Directors and President of MedImmune Ventures, Inc. Dr. Hockmeyer earned his bachelor s degree from Purdue University and his Ph.D. from the University of Florida in 1972. Dr. Hockmeyer was recognized in 1998 by the University of Florida as a Distinguished Alumnus and in 2002, he was awarded a Doctor of Science honoris causa from Purdue University. Dr. Hockmeyer is a member of the Maryland Economic Development Commission and the Maryland Governor s Workforce Investment Board (GWIB). He is also a member of the Maryland Governor s Scientific Advisory Board. He is a member of the Board of Directors of the publicly traded biotechnology companies Advancis Pharmaceutical Corp., GenVec, Inc., Idenix Pharmaceuticals, Inc. and Vanda Pharmaceuticals, Inc., and serves on the boards of several educational and philanthropic organizations.

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Mr. Mott was appointed Chief Executive Officer and Vice Chairman in October 2000 and was also appointed President in February 2004. He joined MedImmune in April 1992 as Vice President with responsibility for business development, strategic planning and investor relations. In 1994, Mr. Mott assumed additional responsibility for the medical and regulatory groups, and in March 1995 was appointed Executive Vice President and Chief Financial Officer. In November 1995, Mr. Mott was appointed to the position of President and Chief Operating Officer and was elected to the Board of Directors. In October 1998, Mr. Mott was appointed Vice Chairman. Mr. Mott is a member of the board of the Biotechnology Industry Organization (BIO), MdBIO, Inc. and the Maryland High Tech Council, and also serves on the Board of Trustees of St. James School and on the Board of Governors of Beauvoir, the National Cathedral Elementary School. He holds a bachelor of arts degree from Dartmouth College.

Dr. Baltimore has been a director of MedImmune since August 2003. Since 1997, Dr. Baltimore has been the President of the California Institute of Technology. In 2006 he will step down as President and be Professor. From 1996 to 2002, he was the Chairman of the National Institutes of Health AIDS Vaccine Research Committee. From 1995 to 1997, Dr. Baltimore was an Institute Professor at the Massachusetts Institute of Technology (MIT), and from 1994 to 1997, the Ivan R. Cottrell Professor of Molecular Biology and Immunology at MIT. Previously, Dr. Baltimore was a professor at Rockefeller University from 1990 to 1994, and was Rockefeller s President from 1990 through 1991. He also served as founding director of the Whitehead Institute for Biomedical Research at MIT from 1982 to 1990. Dr. Baltimore s honors include a 1975 Nobel Prize for his work in virology, the 1970 Gustave Stern Award in Virology, the 1971 Eli Lilly and Co. Award in Microbiology and Immunology, the 1999 National Medal of Science, and the 2000 Warren Alpert Foundation Prize. He was elected to the National Academy of Sciences in 1974, and is also a fellow of the American Academy of Arts and Sciences, the American Association for the Advancement of Science, and the American Academy of Microbiology. He is President-elect of the American Association for the Advancement of Science and will be President in 2007. Dr. Baltimore currently serves on the Board of Directors of BB Biotech, AG, a Swiss investment company, and Amgen, Inc. Dr. Baltimore holds a bachelor s degree from Swarthmore College, and a doctorate from Rockefeller University.

Dr. Barrett has been a director of MedImmune since 1988. He is the Chairman of the Board of Sensors for Medicine and Science, Inc., which he founded, and is a General Partner of New Enterprise Associates. From January 1997 to September 2001 he served as Chairman of the Board and Chief Executive Officer of Sensors for Medicine and Science, Inc. From July 1987 to September 1996, he was Chief Executive Officer and a director of Genetic Therapy, Inc. From 1982 to July 1987, Dr. Barrett served as President of Life Technologies, Inc. and its predecessor, Bethesda Research Laboratories, Inc. Prior to 1982, he was employed at SmithKline Beecham Corporation for 13 years, where he held a variety of positions, including President of its In

Vitro Diagnostic Division and President of SmithKline Clinical Laboratories. He also serves on the Boards of Pharmion, Inc., Inhibitex, Inc., Iomai Corporation, GlycoMimetics, Inc., Peptimmune, Inc. and Targacept, Inc. Dr. Barrett holds a doctorate in biochemistry from the University of Tennessee and a master s degree in business administration from the University of Santa Clara.

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Dr. Cavanaugh has been a director of MedImmune since September 1990 and has been a General Partner of HealthCare Ventures LLC since 1989. Prior thereto, Dr. Cavanaugh served as President of SmithKline and French Laboratories U.S., Inc., from March 1985 to February 1989 and as President of SmithKline Clinical Laboratories from 1981 to 1985. Prior thereto, Dr. Cavanaugh was the President of Allergan International, a specialty eye care company. Dr. Cavanaugh also serves as a member of the Board of Directors of Shire Pharmaceuticals Group PLC, Diversa Corp. and Vicuron, Inc. Prior to his industry experience, Dr. Cavanaugh was Deputy Assistant to the President for Domestic Affairs and Deputy Chief of the White House Staff. Before his White House tour, he served as Deputy Assistant Secretary for Health and Scientific Affairs in the U.S. Department of Health, Education and Welfare and as Special Assistant to the Surgeon General of the U.S. Public Health Service. In addition to serving on the boards of directors of several health care and biotechnology companies, Dr. Cavanaugh currently serves on the Board of Directors of the National Venture Capital Association and as Trustee Emeritus of the California College of Medicine. He has served on the Board of Directors of the Pharmaceutical Research and Manufacturers Association, Unihealth America, the Proprietary Association and on the Board of Trustees of the National Center for Genome Resources. He was a Founding Director of the Marine National Bank in Santa Ana, California. Dr. Cavanaugh holds a doctorate and a master s degree from the University of Iowa and a bachelor of science degree from Fairleigh Dickinson University.

Ms. Franklin has been a director of MedImmune since November 1995. She is President and Chief Executive Officer of Barbara Franklin Enterprises, a private investment and management consulting firm in Washington, D.C. which she founded in January 1995. Between January 1993 and January 1995, she was a lecturer and served as a director of various corporations and organizations. Ms. Franklin served as the 29th U.S. Secretary of Commerce from 1992-1993. Prior to that appointment, she was President and Chief Executive Officer of Franklin Associates, a management consulting firm which she founded in 1984. Ms. Franklin was a Senior Fellow of the Wharton School of Business (1979-1988), an original Commissioner and Vice Chair of the U.S. Consumer Product Safety Commission (1973-1979), and a staff assistant to the President of the U.S. (1971-1973). Prior to that, she held executive positions at Citibank and the Singer Company. Ms. Franklin currently serves on the board of directors of Aetna Inc., The Dow Chemical Company, GenVec, Inc., and Washington Mutual Investors Fund. She is Chairman of the Economic Club of New York, Vice Chair of the US-China Business Council, a director of the National Association of Corporate Directors, and a member of the Public Company Accounting Oversight Board Advisory Council. She is a past director of the Nasdaq Stock Market, Inc. and the American Institute of CPAs. She was named one of Board Alert s Outstanding Directors (2003), Director of the Year by the National Association of Corporate Directors (2000), and was awarded the John J. McCloy award for her contributions to audit excellence (1992). She graduated from the Pennsylvania State University with distinction and earned an MBA from the Harvard Business School.

Mr. Macklin has been a director of MedImmune since July 1994. Mr. Macklin has been an independent financial advisor since 1992. He served as Chairman of the White River Corporation from 1994 to 1998. Formerly Deputy Chairman and Director of White Mountains Insurance Group, Inc., from 1987 through 1992 he was Chairman and Co-CEO for Hambrecht and Quist Group, an investment banking and venture capital firm. Previously, Mr. Macklin was President of the National Association of Securities Dealers, Inc., from 1970 through 1987. He also served as Chairman of National Clearing Corporation (1970 to 1975) and as a partner and member of the Executive Committee of McDonald & Company Securities, Inc., where he was employed from 1950 through 1970. Mr. Macklin serves on the Board of Overstock.com, and is director, trustee or managing general partner, as the case may be, of 48 of the investment companies in the Franklin Templeton Group of Funds.

Dr. Milne has been a director of MedImmune since April 2005, and previously served on our Scientific Advisory Board from January 2004 until March 2005. From 1970 to July 2002, Dr. Milne held various management positions with Pfizer Corporation, including most recently Executive Vice President, Pfizer Global Research and Development and President, Worldwide Strategic and Operations Management. Dr. Milne was also a Senior Vice President of Pfizer Inc. and a member of the Pfizer Management Council. He was President of Central Research from 1993 to July 2002 with global responsibility for Pfizer s Human and Veterinary Medicine Research and Development. Dr. Milne is currently a Venture Partner with Radius Ventures and also a director of the publicly traded companies, Aspreva Pharmaceuticals, Inc., Charles River Laboratories, Inc. and Mettler-Toledo International, Inc.

Ms. Wyatt has been a director of MedImmune since February 2002. Ms. Wyatt retired in December 2000 from Merck & Co., Inc. where she had headed Merck s worldwide product and technology acquisition activities as Vice President of Corporate Licensing. Ms. Wyatt joined Merck in 1980 and was responsible for many of its major agreements. Previously she had been a consultant and an academic administrator responsible, for example, for the Harvard Business School s first formal marketing of its executive education programs. She currently serves on the Board of Directors of Neose Technologies, Ariad Pharmaceuticals, The Medicines Company and on the Board of Directors of Sweet Briar College and on the Investment Committee of Randolph-Macon College. Ms. Wyatt graduated with a bachelor of arts magna cum laude and Phi Beta Kappa from Sweet Briar College, earned a master s degree in education from Boston University and a master s degree in business administration with honors from the Harvard Business School.

The Board has determined that all members of the Board other than Dr. Hockmeyer and Mr. Mott qualify as independent directors within the meaning of the rules of the NASD. Accordingly, each Director who serves on the Compensation and Stock Committee, the Audit Committee, the Corporate Governance and Nominating Committee and the Compliance Committee is an independent director within the meaning of the rules of the NASD. In addition, the Board has determined that each Director who serves on the Audit Committee is independent within the meaning of the rules of the U.S. Securities and Exchange Commission (the SEC).

Committees and Meetings

Committees of the Board of Directors consist of the Audit Committee, the Compensation and Stock Committee, the Corporate Governance and Nominating Committee, the Investment Committee, the Compliance Committee and the Executive Committee. All of these committees operate under a written charter which sets the functions and responsibilities of that committee. A copy of the charter for each committee can be found on our website at *www.medimmune.com*. More information concerning each of the committees is set forth below.

The Audit Committee oversees matters relating to the adequacy of our controls and financial reporting process and the integrity of our financial statements, our compliance with legal requirements relating to financial disclosure, the qualifications and independence of our independent registered public accountants and the effectiveness of our internal audit function and independent registered public accountants. The Audit Committee also reviews audit plans and procedures, changes in accounting policies and the use of the independent registered public accountants for any non-audit services. In addition, the Audit Committee reviews any related party transactions in which we are involved. The Audit Committee is also responsible for establishing procedures for the receipt, retention and treatment of any complaints we receive regarding accounting, internal accounting controls or auditing matters and any confidential, anonymous submissions by our employees regarding concerns of questionable accounting or auditing matters. The Board has determined that Ms. Franklin, Dr. Barrett and Mr. Macklin qualify as audit committee financial experts as defined by the rules of the SEC. The members of the Audit Committee are Ms. Franklin (Chair), Dr. Barrett, Mr. Macklin and Ms. Wyatt. During 2005, the Audit Committee met eight times.

The Compensation and Stock Committee determines the compensation and benefits of our officers and establishes general policies relating to compensation and benefits of our employees. The Compensation and Stock Committee is also responsible for administering our stock incentive plans in accordance with the terms and conditions set forth therein. The members of the Compensation and Stock Committee are Dr. Cavanaugh (Chair), Dr. Barrett, Ms. Franklin, Mr. Macklin and Dr. Milne. During 2005, the Compensation and Stock Committee met seven times.

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The Corporate Governance and Nominating Committee oversees matters regarding our corporate governance and the composition and effectiveness of the Board of Directors. The Corporate Governance and Nominating Committee s responsibilities include identifying, reviewing qualifications of and making recommendations with respect to potential nominees to fill open positions on the Board of Directors. The Corporate Governance and Nominating Committee also considers qualifications of nominees recommended by MedImmune stockholders. If you wish to recommend a nominee, you may do so by writing to the Board of Directors, care of the Corporate Secretary, following the procedure described in the Report of the Corporate Governance and Nominating Committee below. The members of the Corporate Governance and Nominating Committee are Dr. Cavanaugh (Chair), Ms. Franklin and Dr. Milne. During 2005, the Corporate Governance and Nominating Committee met five times.

The Investment Committee is responsible for overseeing our investment portfolio. The Investment Committee reviews our investment policy, oversees the performance of MedImmune Ventures, Inc., our wholly owned venture capital subsidiary, and evaluates the performance of our investment portfolio. The members of the Investment Committee are Mr. Macklin (Chair), Dr. Baltimore and Ms. Wyatt. During 2005, the Investment Committee met one time.

The Compliance Committee oversees our compliance with laws and regulations relating to the research, development, manufacture and marketing of our products. The members of the Compliance Committee are Dr. Barrett (Chair), Dr. Baltimore and Ms. Wyatt. During 2005, the Compliance Committee met five times.

The Executive Committee is responsible for matters that may arise from time to time between regular meetings of the Board of Directors. The members of the Executive Committee are Dr. Hockmeyer (Chair), Dr. Barrett, Dr. Cavanaugh, Ms. Franklin and Mr. Mott. During 2005, the Executive Committee met one time.

During 2005, the Board of Directors met eight times. All directors attended more than 75% of the 2005 meetings of the Board and the Committees on which they serve, except for Mr. Macklin who attended 74% of the 2005 meetings of the Board and the Committees on which he serves.

Report of the Corporate Governance and Nominating Committee

The Board of Directors appoints the Corporate Governance and Nominating Committee (the Governance Committee) each year. The primary function of the Governance Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to matters of corporate governance and the composition and effectiveness of the Board of Directors. To that end, the Governance Committee has adopted a written set of Corporate Governance Guidelines for MedImmune to follow. A copy of the Corporate Governance Guidelines can be found on the company s website at *www.medimmune.com.*

The Governance Committee utilizes a variety of methods for identifying and evaluating potential nominees to the Board of Directors. Recommendations may come from current Board members, professional search firms, members of management, stockholders or other persons. In assessing the qualifications of potential nominees, the Governance Committee may rely on personal interviews or discussions with the candidate and others familiar with the candidate s professional background, on third-party background and reference checks and on such other due diligence information as is reasonably available. The Governance Committee must be satisfied that the candidate possess the highest professional and personal ethics and values and has broad experience at the policy-making level in business, government, education or public interest before the Governance Committee recommends a candidate as a nominee to the Board of Directors.

If you wish to have a candidate considered by the Governance Committee, you should submit the following written information to MedImmune s Corporate Secretary:

- the name and the contact information of, and the number of shares of MedImmune common stock held by, the person submitting the candidate;
- the name and contact information of the candidate;
- a resume of the candidate s educational and professional experience and list of references;

a statement setting forth any relationship between the candidate and any customer, supplier, competitor, employee or director of MedImmune or between the candidate and the stockholder proposing the candidate; and

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a signed consent of the candidate to background and reference checks as part of the evaluation process, to being named in a proxy statement (if determined advisable by the Governance Committee) and to serving on the Board of Directors if nominated and elected.

As part of its corporate governance oversight, the Governance Committee has established a mechanism by which stockholders may communicate with the Board of Directors. You may do so by writing to the Board of Directors c/o the Corporate Secretary at MedImmune s corporate headquarters. In addition, the Governance Committee has adopted a policy stating that members of the Board of Directors are expected to attend annual meetings of our stockholders. At our 2005 annual meeting of stockholders, all members of the Board of Directors were in attendance.

In 2005, the Audit Committee, Compensation and Stock Committee, Compliance Committee and Governance Committee each conducted a self evaluation to assess the effectiveness of its procedures and compliance with its charter. In addition, the Board of Directors conducted a self evaluation. The Governance Committee reviewed the evaluations and determined that the Board was operating effectively and each committee was operating effectively and in compliance with its charter.

Corporate Governance and Nominating Committee

James H. Cavanaugh, Ph.D. (Chair)
Barbara Hackman Franklin
George M. Milne, Jr., Ph.D.

Global Standards of Business Conduct and Ethics

We have adopted Global Standards of Business Conduct and Ethics that are applicable to all of our directors and employees, including the Principal Executive Officer, the Principal Financial Officer and the Principal Accounting Officer. The Global Standards meet the criteria for a code of ethics under the rules of the SEC and a code of conduct under the rules of the NASD. The Global Standards are available on our website at *www.medimmune.com.*

Report of the Compensation and Stock Committee

The Compensation and Stock Committee

The Compensation and Stock Committee (the Compensation Committee) is composed of five members that are appointed each year by the Board of Directors. The primary function of the Compensation Committee is to review and determine the compensation program for the Chief Executive Officer and the other executive officers listed on the Summary Compensation Table (the named executives), as well as other members of senior management who are identified as Section 16 officers. The Compensation Committee is also responsible for the review and approval of the MedImmune s compensation and retirement benefit plans and policies, and the administration of all executive compensation programs, incentive compensation plans and equity-based incentive plans. During 2005, the Compensation Committee met seven times.

The Compensation Committee has retained an independent consultant to assist in fulfilling its responsibilities. The independent consultant is engaged by, and reports directly to, the Committee. In 2005, the independent consultant was engaged for the purpose of conducting a review of the competitiveness of the executive compensation program for MedImmune s executive officers, presenting data on industry compensation trends, specific data relative to each executive officer and compiling Tally Sheets that provided the Compensation Committee with detailed information on the total compensation and benefits provided to MedImmune s three most senior executive officers.

Overview of Executive Compensation Philosophy

The Compensation Committee s philosophy is to provide a compensation package that attracts, motivates and retains executive talent by delivering rewards for superior performance while aligning the goals of executives with those of MedImmune s stockholders. Specifically, the objectives of MedImmune s compensation practices are to:

- Attract and retain executives with significant industry experience;
- Emphasize long-term equity awards to link executive rewards to shareholder returns;
- Deliver a substantial portion of senior executives compensation through performance-based pay, consistent with our philosophy of not providing any substantial supplemental perquisites and executive benefits;

- Reward for developing and executing MedImmune s long-term strategic objectives and the attainment of annual goals; and
- Maintain a program that supports MedImmune s core values and that is easily understandable to participants.

The Compensation Committee believes that to attract and retain a highly skilled executive team, MedImmune s compensation practices must remain competitive with those of other employers with which MedImmune competes for talent. In evaluating compensation levels at MedImmune, the Compensation Committee compares MedImmune s executive officers compensation levels with those of a select group of large biotechnology companies, in terms of sales and market capitalization, and a broader sample of biotechnology/pharmaceutical companies. These groups include both companies similar in size and scope to MedImmune s operations, as well as companies that MedImmune believes it competes against for executive talent. The Compensation Committee uses the median pay levels of these groups as a guideline when setting base salary, performance-based annual incentives, and equity-based long-term incentives. Actual pay levels are adjusted above or below the median based on a variety of factors, including past performance of the executive and supply and demand for the executive s position in light of the skills required to carry out the job function.

Elements of Executive Compensation

Base Salary

The Compensation Committee annually reviews and sets the base salaries of the Chief Executive Officer and other executive officers. Base salaries are designed to be appropriately competitive versus the marketplace as described above. The Compensation Committee utilizes both published survey data and publicly available data for MedImmune s biotechnology and pharmaceutical peers in determining base salaries. In addition to competitive data, the Committee also considers the results achieved by the executive, his or her future potential, scope of responsibilities and experience, and other factors in setting each executive officer s base salary. The base salaries of executive officers are subject to certain minimums set forth in individual employment agreements that have been approved by the Compensation Committee and include provisions for severance, accelerated option vesting in certain circumstances and extended health care benefits. These benefits are described in greater detail in MedImmune s public securities filings.

Performance-Based Annual Incentive Awards

The Compensation Committee uses performance-based annual incentive awards to motivate and reward executive officers for the achievement of MedImmune s strategic and financial goals. MedImmune establishes bonus targets, expressed as a percentage of salary, that range from 40% to 100% for executive officers. Actual awards can be above or below the target bonus opportunity, based on the extent to which MedImmune achieves its performance objectives and the individual executive achieves his or her personal goals. In establishing the targets, MedImmune considers several factors including, in particular, the compensation practices at peer companies in the biotechnology and pharmaceutical industries.

At the beginning of the year, management develops target performance objectives that are reviewed and approved by the Committee. The performance objectives include both long-term strategic goals and financial measures such as sales growth and earnings performance. MedImmune s key strategic goals for its long-range plan initiated in 2004 are to:

- Support the growth of Synagis® and Ethyol®
- Develop FluMist® as a better influenza vaccine
- Develop Numax™ as a differentiated successor to Synagis
- Bring two additional products to market by 2010
- Elevate science and evolve R&D governance
- Continue to develop its people, processes and culture

The following annual objectives were set for 2005 to support the company s ability to stay on track to deliver on its long-term objectives:

- Commercial objectives include increasing product sales, improving margins, increasing strategic alliances, and improving manufacturing, distribution and supply chains for marketed products.

Research and development objectives include achieving regulatory and development milestones for critical late-stage clinical programs, initiating new preclinical and clinical studies, and expanding and securing MedImmune s intellectual property protection.

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Infrastructure and organizational objectives include streamlining business processes and managing capital investments, operational budgets and corporate expansion, including human resource and capital asset growth.

The Compensation Committee determines bonus awards for the previous year based in part on an evaluation of the degree to which MedImmune achieves the annual objectives specified at the beginning of the year. Consideration is also given to responses to unanticipated developments during the course of the year.

After a subjective and objective evaluation of (a) MedImmune s achievements against strategic and financial objectives for 2005, (b) each executive officer s contribution to MedImmune s overall results and (c) each executive officer s achievement of his or her own goals, the Compensation Committee allocated annual bonuses ranging from 40% to 130% of the executive officers annual salaries.

Long-term Incentives

We believe that equity-based incentives create a strong alignment of interests between our executive officers and shareholders by motivating and rewarding our executive officers for maximizing shareholder value over the long term. All of MedImmune s equity compensation plans have been approved by shareholders except for certain plans acquired through acquisitions under which no new incentives are granted.

The Compensation Committee has evaluated a variety of long-term incentive vehicles available to MedImmune and has determined that stock options continue to be the equity vehicle that best aligns executive officers interests with long-term shareholder value creation. Stock options provide value only if MedImmune s stock price appreciates. We also believe stock options provide a retention incentive as the executive officer will only fully realize option gains if he or she remains employed by MedImmune through the four-year vesting period. The Compensation Committee will continue to monitor the appropriateness of stock options as the sole long-term incentive vehicle in light of the cost to the company, changing practices among industry peers, dilution levels, and MedImmune s overall compensation philosophy.

Individual stock option grants for executive officers are determined each year by the Compensation Committee. In determining the number of options to grant to each executive officer, the Committee examines competitive data provided by the independent consultant and the individual contribution made by the executive in the prior year. Consistent with the targeted competitive positioning on other elements of compensation, the Compensation Committee intends to set grants based on the market median of MedImmune s peer groups. MedImmune also monitors stockholder dilution levels relative to peers when making long-term incentive grants. Based on data provided by the independent consultant, the Compensation Committee believes that MedImmune s current total potential dilution and aggregate annual grant practices are appropriate in comparison to MedImmune s biotechnology peers and other employers with which the company competes for talent.

Other Benefits and Perquisites

MedImmune provides executives with benefits and perquisites similar to the general employee population. It is MedImmune s current philosophy not to provide executive officers with any perquisites and benefits other than those that they receive under the general terms and conditions of perquisite and benefit plans in which all MedImmune employees participate.

Chief Executive Officer Compensation

The Compensation Committee meets outside of Mr. Mott s presence to evaluate his performance. The results of this evaluation are considered in determining his compensation, consistent with the compensation policies described above. Mr. Mott participates in the same performance-based annual incentive and long-term incentive plans as other executive officers of MedImmune. Mr. Mott has an employment agreement with the company that has been approved by the Compensation Committee and includes provisions for severance, accelerated option vesting in certain circumstances and extended health care benefits. These benefits are described in greater detail in MedImmune s public securities filings. Other than as set forth above, Mr. Mott receives no substantial additional perquisites or retirement benefits beyond those provided to the general employee population.

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In February 2006, the Compensation Committee determined Mr. Mott s salary increase, actual annual incentive payout for 2005 performance and the number of stock options to be granted to Mr. Mott in 2006. The base salary increase, annual incentive payout, and long-term incentive award were determined based upon the Compensation Committee s review of the market data provided by the independent consultant, MedImmune s overall achievement of its annual objectives in 2005, and Mr. Mott s leadership and individual contributions in 2005, including his performance in connection with MedImmune s 2005 objectives. Based on the Compensation Committee s review, Mr. Mott s annual salary was increased from $1,000,000 to $1,050,000. The Committee awarded Mr. Mott an incentive payment of $1,300,000 with respect to fiscal year 2005, representing 130% of Mr. Mott s target award. In addition, Mr. Mott received 500,000 stock options in February 2006.

Compensation and Stock Committee

James H. Cavanaugh, Ph.D. (Chair)
M. James Barrett, Ph.D.
Barbara Hackman Franklin
Gordon S. Macklin
George M. Milne, Jr., Ph.D.

Executive Compensation

Summary Compensation Table

The following table summarizes the salary paid and option awards we granted to David M. Mott and our five other most highly compensated executive officers for 2005 (collectively, the Named Executive Officers) during each of the last three years, as well as the bonus paid in respect of the Named Executive Officer s performance for each such year.

		Annual Compensation		Long-Term Compensation
Name and Position	**Year**	**Salary ($)**	**Bonus ($)**	**Option Awards (#)**
David M. Mott	2005	991,667	1,300,000	600,000
Chief Executive Officer, President	2004	941,667	1,000,000	750,000
and Vice Chairman of the Board	2003	891,667	600,000	750,000
James F. Young, Ph.D.	2005	570,833	480,000	175,000
President, Research and Development	2004	545,833	400,000	200,000
	2003	520,833	325,000	250,000
Wayne T. Hockmeyer, Ph.D.	2005	545,833	300,000	175,000
Founder and Chairman of the Board;	2004	520,833	300,000	200,000
President, MedImmune Ventures, Inc.	2003	875,000	75,000	125,000
Edward M. Connor, M.D.	2005	393,333	275,000	100,000
Executive Vice President and Chief Medical Officer	2004	335,000	210,000	100,000
	2003	298,333	140,000	90,000
Lota S. Zoth, C.P.A.	2005	310,833	175,000	75,000
Senior Vice President and Chief Financial Officer	2004	273,975	160,000	60,000
	2003	202,568	70,000	15,000
Armando Anido, R.Ph.[1]	2005	393,333		115,000
Executive Vice President, Sales and Marketing	2004	358,333	190,000	70,000
	2003	346,667	125,000	160,000

(1) Mr. Anido s employment with MedImmune terminated effective as of February 4, 2006.

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Option Grants in 2005

The following table sets forth information relating to our grant of stock options during 2005 to the Named Executive Officers.

	Individual Grants				
Name	Number of Securities Underlying Options (#)[1]	% of Total Options Granted to Employees in Fiscal 2005	Exercise or Base Price ($/sh)	Expiration Date	Grant Date Fair Value ($)
David M. Mott	600,000	12%	24.17	02/16/2015	5,058,000(2)
James F. Young, Ph.D.	175,000	3%	24.17	02/16/2015	1,475,250(2)
Wayne T. Hockmeyer, Ph.D.	175,000	3%	24.17	02/16/2015	1,475,250(2)
Edward M. Connor, M.D.	100,000	2%	24.17	02/16/2015	843,000(2)
Lota S. Zoth, C.P.A.	75,000	1%	24.17	02/16/2015	632,250(2)
Armando Anido, R.Ph.	115,000	2%	24.17	02/16/2015(3)	969,450(2)

(1) Granted options become exercisable in equal quarterly installments over a four-year period following the date of grant.

(2) The fair value of each option grant was estimated as of the date of grant using a binomial option pricing model with the following assumptions: risk-free interest rate   4.3%; expected life of options   5 years; expected stock price volatility   32%; and expected dividend yield   0%.

(3) Mr. Anido   s stock options expire 90 days after February 4, 2006, the effective date of his termination of employment with MedImmune.

Aggregated Option Exercises in 2005 and Fiscal Year-End Values

The following table sets forth information relating to the exercise of stock options by the Named Executive Officers in 2005, the number of shares covered by stock options held by them at December 31, 2005 and the value of their in-the-money   options (market price of our stock less the exercise price) at that date.

			Number of Securities Underlying Unexercised Options Held at December 31, 2005 (#)		Value of Unexercised In-the-Money Options at December 31, 2005 ($)	
Name	Shares Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
David M. Mott			3,921,323	1,190,625	$ 27,191,489	$ 11,501,719
James F. Young, Ph.D.	59,481		1,613,221	348,438	$ 11,784,151	$ 3,288,115
Wayne T. Hockmeyer, Ph.D.			1,639,999	325,001	$ 13,859,188	$ 3,241,868
Edward M. Connor, M.D.	140,000	$ 2,314,620	502,748	176,252	$ 6,690,068	$ 1,760,854
Lota S. Zoth, C.P.A.			77,811	107,189	$ 712,713	$ 1,140,787

Armando Anido, R.Ph.	40,625	$	454,831	811,562	192,813	$	753,398	$	1,753,371

Employment Agreements

We entered into an employment agreement with each of Mr. Mott, Dr. Young, Dr. Connor, Mr. Anido and Ms. Zoth in December 2005, and with Dr. Hockmeyer in March 2006, that supersede the former agreements with these executive officers. The terms of the employment agreement are for a period of three years in the case of Mr. Mott, Dr. Hockmeyer and Dr. Young and two years in the case of Dr. Connor and Ms. Zoth. Each employment agreement renews automatically for additional one-year terms unless either party provides notice of the intent not to renew. Mr. Anido s employment with MedImmune terminated effective as of February 4, 2006.

If the executive is terminated within 36 months, in the case of Mr. Mott, Dr. Hockmeyer and Dr. Young, or 24 months, in the case of Dr. Connor and Ms. Zoth, following a change in control of MedImmune, he or she will be entitled to receive (1) a severance payment equal to the sum of his or her semi-monthly base salary and the pro-rata bonus amount multiplied by 72, in the case of Mr. Mott, Dr. Young and Dr. Hockmeyer, or 48 in the case of Dr. Connor and Ms. Zoth, discounted, in each case, to the present value and (2) continuation of medical benefits coverage following the date of

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termination for 36 months, in the case of Mr. Mott and Dr. Young, or 24 months, in the case of Dr. Connor and Ms. Zoth. As Founder of MedImmune, Dr. Hockmeyer is entitled to lifetime medical coverage that would continue upon a change in control of MedImmune. Upon a change in control of MedImmune, all unvested stock options then held by Mr. Mott, Dr. Young and Dr. Hockmeyer will become immediately exercisable. In the event of a termination of employment within 24 months following a change in control of MedImmune, all unvested stock options then held by Dr. Connor and Ms. Zoth will become immediately exercisable.

In the event that any payment under the employment agreement constitutes an excess parachute payment under Section 280G of the Internal Revenue Code, the executive will be entitled to additional gross-up payments such that the net amount retained by the executive after deduction of any excise taxes and all other taxes on the gross-up payments is equal to the net amount that would have been retained from the initial payments under the employment agreement.

Each employment agreement provides for a base salary of the executive during the term, with such base salary to be reviewed for a possible increase each year by the Compensation and Stock Committee. The current base salaries (last adjusted as of February 23, 2006) for the Named Executive Officers currently employed by MedImmune are $1,050,000 for Mr. Mott, $575,000 for Dr. Hockmeyer, $600,000 for Dr. Young, $440,000 for Dr. Connor and $350,000 for Ms. Zoth. Under the employment agreements, each executive has an opportunity to earn an annual cash bonus based upon pre-determined performance standards of MedImmune, is entitled to participate in such employee benefit and fringe benefit plans or programs as are made available from time to time to our similarly situated executives and is eligible for the grant of stock options, as determined in the sole discretion of the Compensation and Stock Committee.

The employment agreements all include certain restrictive covenants for our benefit relating to non-disclosure by the executives of our confidential business information, our right to inventions and intellectual property, nonsolicitation of our employees and customers and noncompetition by the executives with our business. In the event that, subsequent to termination of employment, an employee breaches any of the restrictive covenants or directly or indirectly makes any adverse public statement or disclosure with respect to our business or securities, all payments and benefits to which the employee may otherwise be due under these agreements shall immediately terminate and be forfeited.

We have also entered into new employment agreements with our executive officers (other than the Named Executive Officers described above) that are identical in all material respects (other than with respect to compensation) to the agreements executed by Dr. Connor and Ms. Zoth.

The employment agreements have been included in our filings with the SEC as referenced by exhibit numbers 10.19, 10.20 and 10.21 of the Exhibit Index to our Annual Report on Form 10-K for the year ended December 31, 2005.

Director Compensation

As compensation for serving on the Board of Directors, members of the Board who are not our employees receive an annual retainer of $15,000 plus $2,500 for chairing a Board committee as well as fees of $2,500 for attending Board meetings, $1,000 for attending meetings of Board committees of which the director is a member, and reimbursement of related expenses. The Chairperson of the Audit Committee receives an additional $10,000 per year for chairing such committee. Directors may also be compensated for special assignments delegated by the Board. We also have a 2003 Non-Employee Directors Stock Option Plan, pursuant to which options for 30,000 shares are granted to each non-employee director upon commencement of service on the Board and options for 25,000 shares are generally granted to each non-employee director on June 30 of each year of continued service on the Board.

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Equity Compensation Plan Information

The following table provides information as of December 31, 2005 with respect to shares of our common stock that may be issued under our equity compensation plans.

	A	B	C
Plan Category	**Number of Shares to be Issued Upon Exercise of Outstanding Options**	**Weighted Average Exercise Price of Outstanding Options**	**Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares in Column A)**
Equity Compensation Plans Approved by Securities Holders:			
MedImmune Plans[1]	29,738,713(2)	$ 32.55(2)	20,012,378(3)
Plans Acquired through Acquisitions[4]	579,189	$ 34.04	
Equity Compensation Plans Not Approved by Securities Holders:			
MedImmune Plans			
Plans Acquired through Acquisitions[5]	786,973	$ 30.94	
Total	31,104,875		20,012,378

(1) Consists of the 2004 Stock Incentive Plan, as amended, the 2003 Non-Employee Directors Stock Option Plan, the 1993 Non-Employee Directors Stock Option Plan, the 1999 Stock Option Plan, the 1991 Stock Option Plan and the 2001 Employee Stock Purchase Plan (the ESPP).

(2) Excludes shares available for future issuance under the ESPP.

(3) Includes shares available for future issuance under the ESPP. As of December 31, 2005, 2,097,640 shares of our common stock were available for issuance under the ESPP.

(4) Consists of the U.S. Bioscience, Inc. 1992 Stock Option Plan, the U.S. Bioscience, Inc. 1996 Non-Employee Directors Stock Plan, the Aviron 1992 Stock Option Plan and the Aviron 1996 Equity Incentive Plan.

(5) Consists of the U.S. Bioscience, Inc. Non-Executive Stock Option Plan, the Aviron 1999 Non-Officer Equity Incentive Plan and options issued by Aviron outside of any plan.

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Performance Graph

The chart set forth below shows the cumulative return on an investment of $100 on December 31, 2000, in each of MedImmune s common stock, the Standard & Poor s 500 Composite Stock Index (the S&P 500), and the Nasdaq Pharmaceutical Stocks Total Return Index (the Nasdaq Pharmaceutical Index). All values assume reinvestment of the pre-tax value of dividends paid by companies included in these indices and are calculated as of December 31 of each year. Our share prices have been adjusted to reflect our three-for-one stock split effected in June 2000. The S&P 500, in which we are members, is one of the most widely used benchmarks of U.S. equity performance and consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock s weight in the index proportionate to its market value. We have selected the Nasdaq Pharmaceutical Index, which is calculated and supplied by NASDAQ, as the appropriate published industry index for this comparison. The Nasdaq Pharmaceutical Index, which is comprised of approximately 300 companies, includes MedImmune among many other biotechnology companies. The stock price performance on the graph below is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

* $100 invested on 12/31/2000 in stock or index including reinvestment of dividends. Fiscal year ending December 31.

Date	MedImmune	S&P 500	Nasdaq Pharmaceutical Index
Dec-00	100.00	100.00	100.00
Dec-01	97.20	88.12	85.35
Dec-02	56.98	68.64	53.53
Dec-03	53.22	88.33	77.72
Dec-04	56.85	97.94	84.27
Dec-05	73.44	102.75	92.80

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Report of the Audit Committee

The Board of Directors appoints the Audit Committee each year. The mission of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the accounting and financial reporting processes and the audits of the Company s financial statements.

As set forth in its charter, the Audit Committee s role is one of oversight. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the Company s accounting and financial reporting processes and the audits of the Company s financial statements, and encompasses: the integrity of the Company s financial statements; compliance with legal requirements relating to financial disclosure; the qualification and independence of the Company s independent registered public accountants; and the effectiveness of the internal audit function and independent registered public accountants. The Company s management is responsible for preparing the financial statements and the independent registered public accountants are responsible for auditing those financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States. The Company s management is also responsible for maintaining effective internal controls over financial reporting and for making an assessment of the effectiveness of internal controls over financial reporting on an annual basis, and the independent registered public accountants are responsible for expressing opinions on management s assessment and on the effectiveness of our internal controls over financial reporting.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), our independent registered public accountants, the Company s financial statements for the year ended December 31, 2005, our assessment as of December 31, 2005 of the effectiveness of internal controls over financial reporting, and the opinions of PricewaterhouseCoopers concerning our 2005 consolidated financial statements and internal controls over financial reporting as of December 31, 2005. The Audit Committee also discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees,* as well as the independence of PricewaterhouseCoopers from our management and us. PricewaterhouseCoopers provided the Audit Committee the written disclosures required by the Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees.* The Audit Committee also received from PricewaterhouseCoopers written confirmations with respect to the non-audit services provided to us by PricewaterhouseCoopers and considered whether the provision of such non-audit services was compatible with maintaining PricewaterhouseCoopers independence.

The members of the Audit Committee are not professional accountants or auditors and, in performing their oversight role, rely without independent verification on the information and representations provided to them by management and PricewaterhouseCoopers. Accordingly, the Audit Committee s oversight does not provide an independent basis to certify that the integrated audit of our financial statements and internal control over financial reporting has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), that the financial statements are presented in accordance with accounting principles generally accepted in the United States, that our internal controls over financial reporting were effective as of December 31, 2005 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), or that PricewaterhouseCoopers is in fact independent.

Based on its review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements as of and for the year ended December 31, 2005 be included in our Annual Report to Stockholders and its Annual Report on Form 10-K filed with the Securities and Exchange Commission and determined, subject to ratification by our stockholders, to retain PricewaterhouseCoopers as independent registered public accountants to conduct an integrated audit of our consolidated financial statements and internal control over financial reporting as of and for the year ending December 31, 2006.

Audit Committee

Barbara Hackman Franklin (Chair)
Gordon S. Macklin
M. James Barrett, Ph.D.

Elizabeth H.S. Wyatt
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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to file reports of ownership and changes in ownership of our common stock with the SEC, with a copy delivered to us. Based on our review of the Section 16(a) reports and written representations from the executive officers and directors, we believe that our officers and directors complied on a timely basis with reporting requirements applicable to them for transactions in 2005.

Certain Relationships and Related Party Transactions

We employ three individuals who are related to our directors or executive officers:

John T. Hockmeyer, the son of Wayne T. Hockmeyer, Ph.D., has been employed in our sales and marketing group since 1996. John Hockmeyer s total compensation in 2005, inclusive of salary, bonus, fair value of stock options at grant and employer-paid benefits was approximately $198,628.

Kathryn C. Barrett, the daughter-in-law of M. James Barrett, Ph.D., has been employed in our public affairs group since 2004, prior to her marriage to Dr. Barrett s son. Ms. Barrett s total compensation in 2005, inclusive of salary, bonus, fair value of stock options at grant and employer-paid benefits was approximately $104,448.

Richard L. Heddens, the brother-in-law of James F. Young, Ph.D., has been employed as a sales representative of MedImmune since 2000. Mr. Heddens total compensation in 2005, inclusive of salary, commissions, fair value of stock options at grant and employer-paid benefits was approximately $140,995.

The salary, bonus and stock options (and, in the case of Mr. Heddens, commission) received by each of these individuals is commensurate with amounts paid to our similarly situated employees. We offer all similarly situated employees the same employer-paid benefits as these individuals. Dr. Hockmeyer does not review John Hockmeyer s performance or compensation, Dr. Barrett does not review Ms. Barrett s performance or compensation, and Dr. Young does not review Mr. Heddens performance or compensation.

Mr. Melvin D. Booth served as a director of MedImmune from November 1998 until April 2005, the President and Chief Operating Officer of MedImmune from October 1998 through December 2003 (in a part-time capacity reporting to Mr. Mott from January 2004 until April 2005), and in a part-time capacity reporting to Dr. Hockmeyer (in his capacity as President, MedImmune Ventures) until March 31, 2006, primarily assisting in the review of potential venture capital investments. Under the terms of his employment agreement, which has been included in our filings with the SEC as referenced by exhibit number 10.18 of the Exhibit Index to our Annual Report on Form 10-K for the year ended December 31, 2004, Mr. Booth received an annual salary of $50,000.

MedImmune, through its wholly owned subsidiary, MedImmune Ventures, Inc., invests from time to time in biotechnology or pharmaceutical companies seeking venture capital financing. Three members of our Board of Directors are partners in unrelated venture capital firms that also invest in biotechnology or pharmaceutical companies and, on occasion, funds managed by two of those venture capital firms have invested in the same companies as MedImmune Ventures. Although no such investments in new portfolio companies were made in 2005, MedImmune Ventures purchased additional shares in one such company and continues to hold minority equity positions in three such companies in which one or the other of those venture capital firms has also invested. No member of our Board of Directors received any fee or other compensation from us as a result of these investments.

PROPOSAL 2 AMENDMENT TO THE 2003 NON-EMPLOYEE DIRECTORS STOCK OPTION PLAN

On February 23, 2006, the Compensation and Stock Committee approved an amendment to the 2003 Non-Employee Directors Stock Option Plan (the Non-Employee Directors Plan), subject to stockholder approval, to increase the number of shares authorized for issuance under the plan from 800,000 shares to 1,350,000 shares. As of March 31, 2006, there were 200,000 shares available for issuance under the Non-Employee Directors Plan. If this amendment to the plan is not approved by the stockholders, the numbers of shares remaining available for issuance under the plan will remain at 200,000 shares.

The Non-Employee Directors Plan was approved by the Board of Directors on February 20, 2003 and by our stockholders on May 22, 2003. The purpose of the Non-Employee Directors Plan is to compensate non-management

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directors for participation on the Board of Directors or its committees by the automatic grant of stock options to purchase shares of our common stock. Directors who are employees of MedImmune are not eligible to participate in the Non-Employee Directors Plan.

The full text of the Non-Employee Directors Plan is included with our 2003 proxy statement, filed with the SEC on April 17, 2003. Following is a brief description of the principal features of the Non-Employee Directors Plan, which description is qualified in its entirety by reference to the full text of the plan.

Participation and Administration

Directors who are not employees of MedImmune (currently seven persons) are eligible to participate in the Non-Employee Directors Plan. The Non-Employee Directors Plan is administered by our Board of Directors. All questions of interpretation of the Non-Employee Directors Plan or of the options granted pursuant to the Non-Employee Directors Plan are determined by the Board. However, the grants of stock options and the amount and nature of the options granted is automatic, as described below.

Terms and Condition of Options

Under the Non-Employee Directors Plan, an option to purchase 30,000 shares of our common stock is granted to each non-employee director upon initial appointment to the Board of Directors. In addition, an annual stock option award is granted to each director on June 30 of each year during the director s term, provided the director has been a member of the Board for at least one year. Effective as of February 23, 2006, the Compensation and Stock Committee decreased the amount of the annual stock option award for each non-employee director from 30,000 shares to 25,000 shares.

The exercise price for an option is determined by the closing price as reported on the NASDAQ National Market (or other principal exchange on which our common stock is traded) on the business day preceding the date the option is granted. An option becomes exercisable in four equal annual installments beginning on the first anniversary of the date of grant, and expires on the tenth anniversary of the date of grant. If a director is terminated for cause, all options will be forfeited immediately. If a director ceases to be member of the Board for any other reason, unvested options will terminate and only previously vested options may be exercised for a period of three months following termination (or one year in the case of termination on account of death or disability). In the event of a change in control of MedImmune, all options would vest immediately unless such options are assumed by the successor corporation.

The exercise price of an option granted under the Non-Employee Directors Plan must be paid upon exercise of the option and may include payment by check, by delivery of shares of our common stock that have a fair market value on the exercise date equal to the exercise price of the option, by a broker-assisted cashless exercise, or by a combination of the foregoing. Stock options granted under the Non-Employee Directors Plan are non-qualified stock options.

Shares Subject to the Non-Employee Directors Plan

If the amendment to the Non-Employee Directors Plan is approved by our stockholders, the number of shares of common stock that are reserved for issuance under the plan will be increased from 800,000 shares to 1,350,000 shares, subject to adjustment for stock splits and similar events. Options and shares that are forfeited or otherwise reacquired by us will again be available for the grant of options under the Non-Employee Directors Plan. Shares of common stock issued under the Non-Employee Directors Plan may be authorized but unissued shares or shares reacquired by us and held in treasury.

Amendment and Termination

The Non-Employee Directors Plan shall remain in full force and effect until suspended or discontinued by the Board of Directors. The Board may at any time review or amend the plan, provided that approval of our stockholders is required for any amendment that has the effect of reducing the exercise price of stock options previously granted. Solely to the extent deemed necessary or advisable by the Board, for purposes of complying with the rules of any securities exchange or for any other reason, the Board may seek stockholder approval for any other amendment to the plan.

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Effective Date of the Non-Employee Directors Plan

The Non-Employee Directors Plan became effective on May 22, 2003, the date it was approved by our stockholders. The amendment to the plan to increase the number of shares of common stock authorized for issuance under the plan from 800,000 shares to 1,350,000 shares will become effective on the date it is approved by our stockholders.

Federal Income Tax Aspects

The following is a general description of federal income tax consequences to our non-employee directors relating to stock options granted under the Non-Employee Directors Plan. This discussion does not purport to cover all federal tax consequences relating to the directors or MedImmune, nor does it describe state, local or foreign tax consequences. A director will not recognize income upon the grant of a non-qualified stock option to purchase shares of common stock. Upon exercise of the option, the director will recognize ordinary compensation income equal to the excess of the fair market value over the exercise price for such shares. We will be entitled to a tax deduction equal to the amount of ordinary compensation income recognized by the director. The deduction will be allowed at the same time the director recognizes the income. The tax basis of the shares of common stock in the hands of the director will equal the exercise price paid for the shares plus the amount of ordinary compensation income the director recognizes upon exercise of the option, and the holding period for the shares for capital gains purposes will commence on the day the option is exercised. A director who sells shares of common stock acquired on exercise of the option will recognize capital gain or loss measured by the difference between the tax basis of the shares and the amount realized on the sale.

The Board of Directors recommends a vote FOR approval of an amendment to the 2003 Non-Employee Directors Stock Option Plan to increase the number of shares authorized for issuance under the plan from 800,000 shares to 1,350,000 shares.

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PROPOSAL 3 APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2006

The Audit Committee approved the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2006 fiscal year, subject to stockholder approval and ratification. The Audit Committee, in making its determination, reviewed the performance of PricewaterhouseCoopers in prior years as well as the firm s reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee has expressed its satisfaction with PricewaterhouseCoopers in these respects. PricewaterhouseCoopers has served as our independent registered public accounting firm since our inception. Representatives of PricewaterhouseCoopers will be present at the Annual Meeting and will have the opportunity to make such statements as they may desire. They will also be available to respond to appropriate questions from the stockholders present at the meeting.

Fees and Services of PricewaterhouseCoopers LLP

The following table summarizes fees billed to us by PricewaterhouseCoopers for the audit of our annual financial statements included in our Annual Report on Form 10-K for each of 2005 and 2004, review of our financial statements included in our Quarterly Reports on Form 10-Q for 2005 and 2004, respectively, and services that were provided by PricewaterhouseCoopers in connection with statutory and regulatory filings or engagements for those fiscal years, in each case as described in greater detail below:

	Worldwide Fees	
Service	**2005**	**2004**
Audit fees[1]	$ 1,643,977	$ 1,804,846
Audit related fees[2]	174,492	240,635
Tax fees[3]	174,556	169,241
Other[4]	3,000	3,000
Total	$ 1,996,025	$ 2,217,722

(1) Includes fees for the audit of our annual financial statements (including compliance testing related to internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002), statutory audits of foreign subsidiary financial statements, systems controls reviews and services associated with securities filings.

(2) Includes fees for accounting research and consultation, assistance with Sarbanes-Oxley compliance-related matters, audits of employee benefit plans, and assistance with other transactions.

(3) Includes fees for tax services relating to tax return preparation, consultation and expatriate services for our international subsidiaries, tax planning services, fees relating to our federal, state and local tax returns, transaction cost analysis and consultation relating to acquisitions.

(4) Includes license fees for accounting research software.

The Audit Committee approves in advance all audit services, audit-related services, tax-related services and any other services provided by our independent registered public accounting firm.

The Board of Directors recommends a vote FOR approval of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2006.

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SECURITY OWNERSHIP

Principal Stockholders

The following table sets forth certain information regarding the beneficial ownership of our common stock of each person known to be the beneficial owner of more than five percent of the outstanding common stock, each of our directors, each of our Named Executive Officers and all our executive officers and directors as a group. Unless otherwise specified, the information in the table below is as of January 31, 2006 and the address of each named beneficial owner is c/o MedImmune, Inc., One MedImmune Way, Gaithersburg, Maryland 20878.

	Beneficial Ownership	
Name	**Number of Shares**	**Percent**
FMR Corp.(1) 82 Devonshire Street Boston, MA 02109	20,928,888	8.20%
T. Rowe Price Associates, Inc.(2) 100 E. Pratt Street Baltimore, MD 21202	17,567,412	6.88%
Wayne T. Hockmeyer, Ph.D.(3)	1,696,875	*
David M. Mott(3)	4,291,718	1.68%
David Baltimore, Ph.D.(3)	27,060	*
M. James Barrett, Ph.D.(3)	136,000	*
James H. Cavanaugh, Ph.D.(3)(4)	277,428	*
Barbara Hackman Franklin(3)	179,925	*
Gordon S. Macklin(3)	235,000	*
George M. Milne, Jr., Ph.D.(3)	7,500	*
Elizabeth H.S. Wyatt(3)	76,000	*
James F. Young, Ph.D.(3)(5)	1,778,971	*
Edward M. Connor, M.D.(3)	566,500	*
Lota S. Zoth, C.P.A.(3)	90,349	*
Armando Anido, R.Ph.(3)	813,034	*
All executive officers and directors as a group (20 persons)(3)(4)(5)	11,058,620	4.33%

* Less than one percent.

(1) Based on a Schedule 13G dated February 14, 2006.

(2) Based on an amendment to Schedule 13G dated February 14, 2006. We have been advised that various individual and institutional investors own these securities and T. Rowe Price Associates, Inc. serves as investment adviser with the power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be the beneficial owner of such securities, but it expressly disclaims such beneficial ownership.

(3) Includes shares of common stock issuable upon exercise of options vesting prior to April 1, 2006 as follows: Dr. Hockmeyer, 1,686,875 shares; Mr. Mott, 4,099,448 shares; Dr. Baltimore, 22,500 shares; Dr. Barrett, 135,000 shares; Dr. Cavanaugh, 105,000 shares; Ms. Franklin, 175,000 shares; Mr. Macklin, 225,000 shares; Dr. Milne, 7,500 shares; Ms. Wyatt, 75,000 shares; Dr. Young, 1,667,909 shares; Dr. Connor, 526,500 shares; Ms. Zoth, 89,375 shares; Mr. Anido, 811,562 shares; and all executive officers and directors as a group, 10,687,418 shares.

(4) Includes 88,590 shares owned directly by Dr. Cavanaugh and 83,838 shares owned by a partnership of which Dr. Cavanaugh is a general partner.

(5) Includes 11,039 shares as to which Dr. Young has shared voting power, which shares are held in the James F. and Christine M. Young Foundation, a charitable foundation.

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OTHER MATTERS

Our Board of Directors knows of no matters to be presented at the Annual Meeting other than those described in this Proxy Statement. Other business may properly come before the meeting and, in that event, it is the intention of the Proxy Committee to vote as it recommends.

Proxy Solicitation

We are conducting the solicitation of proxies and will bear the cost. We will request brokerage houses, banks and other custodians or nominees holding stock in their names for others to forward proxy materials to their customers or principals who are the beneficial owners of shares and will reimburse them for their expenses in doing so. We expect to solicit proxies primarily by mail, but our directors, officers, and other employees may also solicit in person, by telephone, by facsimile, or by mail. We have retained MacKenzie Partners, Inc. to assist in the solicitation of proxies. MacKenzie Partners, Inc. will solicit proxies by personal interview, telephone, facsimile, and mail. It is anticipated that the fee for those services will not exceed $5,000 plus reimbursement of customary out-of-pocket expenses.

Deadline for Submission of Stockholder Proposals for Next Year s Annual Meeting

The proxy rules adopted by the Securities and Exchange Commission provide that certain stockholder proposals must be included in the proxy statement for our Annual Meeting. For a proposal to be considered for inclusion in the proxy statement for our 2007 Annual Meeting of Stockholders, it must be submitted in writing and received by our Corporate Secretary no later than December 22, 2006. Stockholders who wish to submit a proposal at our 2007 Annual Meeting of Stockholders but do not comply with requirements for inclusion of the proposal in the proxy statement must submit the proposal in writing, to be received by our Corporate Secretary no later than March 7, 2007, which date is 45 days before the first anniversary of the date on which this proxy statement is first being mailed to stockholders.

Our Annual Report to stockholders, including our audited financial statements for the year ended December 31, 2005, is being mailed with this proxy statement to all stockholders of record as of the close of business on March 31, 2006.

Stockholders Sharing the Same Address

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. Because we utilize the householding rules for proxy materials, stockholders who share the same address will receive only one copy of the annual report and proxy statement, unless we receive contrary instructions from any stockholder at that address. We will continue to mail a proxy card to each stockholder of record. If you prefer to receive multiple copies of the proxy statement and annual report at the same address, additional copies will be provided to you promptly upon request. If you are a stockholder of record, you may obtain additional copies by contacting us in writing to MedImmune c/o the Corporate Secretary at our corporate headquarters. Eligible stockholders of record receiving multiple copies of the annual report and proxy statement can request householding by contacting us in the same manner.

If you are a beneficial owner (for example, you hold your shares in a brokerage or custody account), you can request additional copies of the proxy statement and annual report or you can request householding by notifying your broker, bank or nominee.

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ALL STOCKHOLDERS ARE URGED TO COMPLETE, SIGN AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE, VOTE TELEPHONICALLY OR VOTE OVER THE INTERNET.

By Order of the Board of Directors,

WILLIAM C. BERTRAND, JR.
Corporate Secretary

One MedImmune Way
Gaithersburg, Maryland 20878
April 21, 2006

One MedImmune Way	Gaithersburg, Maryland 20878	301-398-0000	Fax: 301-398-9000	*www.medimmune.com*

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**THIS PROXY IS SOLICITED
ON BEHALF OF
THE BOARD OF DIRECTORS
OF MEDIMMUNE, INC.**

The undersigned hereby appoints David M. Mott and William C. Bertrand, Jr., and each of them, as proxies of the undersigned, each with full power to act without the other and with full power of substitution, to vote all the shares of Common Stock of MedImmune, Inc. held in the name of the undersigned at the close of business on March 31, 2006, at the 2006 Annual Meeting of Stockholders to be held at One MedImmune Way, Gaithersburg, Maryland 20878, on May 25, 2006, at 10:00 a.m. local time, and at any adjournments thereof, with all the powers the undersigned would have if personally present, as indicated on the reverse side hereof.

(Continued and to be signed on the reverse side)

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ANNUAL MEETING OF STOCKHOLDERS OF MEDIMMUNE, INC.
May 25, 2006
Please complete, date, sign and mail your proxy card
in the envelope provided as soon as possible.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS, FOR PROPOSAL 2 AND FOR PROPOSAL 3. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: n

1. ELECTION OF DIRECTORS

			NOMINEES:
o	FOR ALL NOMINEES	o	Wayne T. Hockmeyer, Ph.D. (Chairman)
		o	David M. Mott
o	WITHHOLD AUTHORITY	o	David Baltimore, Ph.D.
	FOR ALL NOMINEES	o	M. James Barrett, Ph.D.
		o	James H. Cavanaugh, Ph.D.
o	FOR ALL EXCEPT	o	Barbara Hackman Franklin
	(See instructions below)	o	Gordon S. Macklin
		o	George M. Milne, Jr., Ph.D.
		o	Elizabeth H.S. Wyatt

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the box next to each nominee you wish to withhold, as shown here: n

	FOR	AGAINST	ABSTAIN
2. To approve an amendment to the 2003 Non-Employee Directors Stock Option Plan.	o	o	o
3. To approve and ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2006.	o	o	o

4. The Board of Directors may vote in their discretion upon such other matters that may properly come before the meeting, and in accordance with the accompanying notice and proxy statement, receipt of which is acknowledged.

All proposals referenced herein have been made by MedImmune, Inc. and no proposal is related to or conditioned upon the approval of any other proposal. If this proxy is properly executed and returned, the shares represented thereby will be voted. If a choice is specified by the stockholder, the shares will be voted accordingly. If not otherwise specified, the shares represented by this proxy will be voted FOR the election of directors, FOR Proposal 2 and FOR Proposal 3.

To change the address on your account, please check the box at right and indicate your new address in the space below. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

Signature of Stockholder: Signature of Stockholder:

Date: Date:

Note: This Proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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Excess tax benefit from share-based employee awards

443

1,313

Payments for common shares repurchased

(11,999
)

(17,986
)
Cash dividends paid to shareholders

(25,423
)

(25,663
)
Net cash used by financing activities

(37,921
)

(49,186
)

Effect Of Exchange Rate Change On Cash

188

557

Net Change In Cash And Cash Equivalents

16,444

243

Cash And Cash Equivalents:
Beginning Of Period

28,687

17,383

End Of Period

$
45,131

$
17,626

See Condensed Notes to Unaudited Consolidated Financial Statements

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DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and shares in thousands, except per share amounts)

Note 1: Consolidated financial statements

The consolidated balance sheet as of June 30, 2012, the consolidated statements of comprehensive income for the quarters and six months ended June 30, 2012 and 2011, the consolidated statement of shareholders' equity for the six months ended June 30, 2012, and the consolidated statements of cash flows for the six months ended June 30, 2012 and 2011 are unaudited. The consolidated balance sheet as of December 31, 2011 was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles (GAAP) in the United States of America. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial statements are included. Adjustments consist only of normal recurring items, except for any discussed in the notes below. Interim results are not necessarily indicative of results for a full year. The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q, and do not contain certain information included in our annual consolidated financial statements and notes. The consolidated financial statements and notes appearing in this report should be read in conjunction with the consolidated audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011 (the “2011 Form 10-K”).

Note 2: New accounting pronouncements

On January 1, 2012, we adopted Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. This standard eliminates the option to report other comprehensive income and its components in the statement of shareholders' equity. Also effective January 1, 2012, we adopted ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This standard temporarily defers a provision included in ASU No. 2011-05 which requires that reclassification adjustments from other comprehensive income to net income be presented by income statement line item. Our presentation of comprehensive income in this quarterly report on Form 10-Q complies with these accounting standards.

On January 1, 2012, we adopted ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S GAAP and IFRSs. The new guidance changes some fair value measurement principles and disclosure requirements. The changes in fair value measurement principles relate primarily to financial assets and did not affect the fair value measurements presented in this report on Form 10-Q. The fair value disclosures required by the new standard are presented in Note 7: Fair value measurements.

Note 3: Supplemental balance sheet information

Inventories and supplies – Inventories and supplies were comprised of the following:

	June 30, 2012	December 31, 2011
Raw materials	$5,521	$5,566
Semi-finished goods	8,653	8,273
Finished goods	6,579	5,301
Supplies, primarily production	3,060	2,903

Inventories and supplies	$23,813	$22,043

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Available-for-sale securities – Available-for-sale securities included within cash and cash equivalents, funds held for customers and other current assets were comprised of the following:

	June 30, 2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market securities (cash equivalents)	$21,180	$—	$—	$21,180
Canadian and provincial government securities (funds held for customers)[1]	5,277	228	—	5,505
Money market securities (other current assets)	2,024	—	—	2,024
Total available-for-sale securities	$28,481	$228	$—	$28,709

[1] Funds held for customers, as reported on the consolidated balance sheet as of June 30, 2012, also included cash of $36,495.

	December 31, 2011			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market securities	$3	$—	$—	$3
Canadian and provincial government securities	5,172	243	—	5,415
Available-for-sale securities (funds held for customers)[1]	5,175	243	—	5,418
Money market securities (other current assets)	2,001	—	—	2,001
Total available-for-sale securities	$7,176	$243	$—	$7,419

[1] Funds held for customers, as reported on the consolidated balance sheet as of December 31, 2011, also included cash of $38,976.

Expected maturities of available-for-sale securities as of June 30, 2012 were as follows:

	Fair value
Due in one year or less	$23,280
Due in two to five years	1,905
Due in six to ten years	3,524
Total available-for-sale securities	$28,709

Further information regarding the fair value of available-for-sale securities can be found in Note 7: Fair value measurements.

Assets held for sale – Assets held for sale as of December 31, 2011 consisted of our facility located in Thorofare, New Jersey, which was closed in April 2009. This facility was sold during the quarter ended June 30, 2012 for net cash proceeds of $2,613, realizing a net pre-tax loss of $128.

Intangibles – Intangibles were comprised of the following:

	June 30, 2012			December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Indefinite-lived:						
Trade name	$19,100	$—	$19,100	$19,100	$—	$19,100
Amortizable intangibles:						
Internal-use software	427,030	(361,214)	65,816	410,905	(345,145)	65,760
Customer lists/relationships	58,872	(25,873)	32,999	52,542	(26,059)	26,483
Distributor contracts	30,900	(29,098)	1,802	30,900	(28,198)	2,702
Trade names	68,561	(28,017)	40,544	67,661	(25,958)	41,703
Other	8,500	(7,270)	1,230	9,566	(7,975)	1,591
Amortizable intangibles	593,863	(451,472)	142,391	571,574	(433,335)	138,239
Intangibles	$612,963	$(451,472)	$161,491	$590,674	$(433,335)	$157,339

Total amortization of intangibles was $11,315 for the quarter ended June 30, 2012 and $13,515 for the quarter ended June 30, 2011. Amortization of intangibles was $23,304 for the six months ended June 30, 2012 and $28,099 for the six months ended June 30, 2011. Based on the intangibles in service as of June 30, 2012, estimated future amortization expense is as follows:

	Estimated amortization expense
Remainder of 2012	$21,415
2013	34,218
2014	22,156
2015	10,906
2016	7,728

Goodwill – Changes in goodwill during the six months ended June 30, 2012 were as follows:

	Small Business Services	Financial Services	Direct Checks	Total
Balance, December 31, 2011:				
Goodwill, gross	$621,314	$27,178	$148,506	$796,998
Accumulated impairment charges	(20,000)	—	—	(20,000)
Goodwill, net of accumulated impairment charges	601,314	27,178	148,506	776,998
Acquisition of OrangeSoda, Inc. (see Note 5)	12,735	—	—	12,735
Currency translation adjustment	9	—	—	9
Balance, June 30, 2012:				
Goodwill, gross	634,058	27,178	148,506	809,742
Accumulated impairment charges	(20,000)	—	—	(20,000)
Goodwill, net of accumulated impairment charges	$614,058	$27,178	$148,506	$789,742

Other non-current assets – Other non-current assets were comprised of the following:

	June 30, 2012	December 31, 2011
Contract acquisition costs	$48,906	$55,076
Loans and notes receivable from distributors	14,314	11,148
Deferred advertising costs	14,043	15,599
Other	18,266	18,775
Other non-current assets	$95,529	$100,598

Changes in contract acquisition costs during the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30,	
	2012	2011
Balance, beginning of year	$55,076	$57,476
Additions[1]	2,668	1,770
Amortization	(8,546)	(8,665)
Other	(292)	(170)
Balance, end of period	$48,906	$50,411

[1] Contract acquisition costs are accrued upon contract execution. Cash payments made for contract acquisition costs were $10,516 for the six months ended June 30, 2012 and $5,615 for the six months ended June 30, 2011.

Accrued liabilities – Accrued liabilities were comprised of the following:

	June 30, 2012	December 31, 2011
Funds held for customers	$41,284	$43,829
Employee profit sharing/cash bonus	22,297	23,783
Customer rebates	20,122	20,969
Wages, including vacation	12,657	4,995
Interest	8,737	8,760
Contract acquisition costs due within one year	5,152	13,070
Restructuring due within one year (see Note 8)	3,766	5,946
Other	28,969	28,746
Accrued liabilities	$142,984	$150,098

Other non-current liabilities – Other non-current liabilities were comprised of the following:

	June 30, 2012	December 31, 2011
Pension and postretirement benefit plans	$36,458	$48,859
Contract acquisition costs	7,305	7,455
Unrecognized tax benefits, including interest and penalties	6,750	7,570
Other	12,667	15,931
Other non-current liabilities	$63,180	$79,815

Note 4: Earnings per share

The following table reflects the calculation of basic and diluted earnings per share. During each period, certain stock options, as noted below, were excluded from the calculation of diluted earnings per share because their effect would have been antidilutive.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Earnings per share – basic:				
Net income	$42,262	$35,473	$86,341	$68,029
Income allocated to participating securities	(287)	(211)	(575)	(325)
Income available to common shareholders	$41,975	$35,262	$85,766	$67,704
Weighted-average shares outstanding	50,737	51,175	50,796	51,221
Earnings per share – basic	$0.83	$0.69	$1.69	$1.32
Earnings per share – diluted:				
Net income	$42,262	$35,473	$86,341	$68,029
Income allocated to participating securities	(286)	(98)	(573)	(160)
Re-measurement of share-based awards classified as liabilities	23	(23)	35	13
Income available to common shareholders	$41,999	$35,352	$85,803	$67,882
Weighted-average shares outstanding	50,737	51,175	50,796	51,221
Dilutive impact of potential common shares	249	513	273	489
Weighted-average shares and potential common shares outstanding	50,986	51,688	51,069	51,710
Earnings per share – diluted	$0.82	$0.68	$1.68	$1.31
Antidilutive options excluded from calculation	2,010	1,449	2,010	1,449

Note 5: Acquisitions

In May 2012, we acquired all of the outstanding stock of OrangeSoda, Inc., a provider of internet marketing services specializing in search, mobile and social media campaign strategies for small businesses, in a cash transaction for $26,634, net of cash acquired. We funded the acquisition with cash on hand. The preliminary allocation of the purchase price based upon the estimated fair values of the assets acquired and liabilities assumed resulted in goodwill of $12,735. We expect to finalize the allocation of the purchase price during the third quarter of 2012 when the working capital adjustment required by the purchase agreement and our valuation of deferred income taxes is finalized. This acquisition resulted in the recognition of goodwill as we expect to accelerate revenue growth in marketing solutions and other services by combining our capabilities with OrangeSoda's solutions, tools, platform and market presence. Transaction costs related to this acquisition were expensed as incurred and were not significant to our consolidated statements of comprehensive income for the quarter and six months ended June 30, 2012. The results of operations of this business from its acquisition date are included in our Small Business Services segment.

Intangible assets acquired in the OrangeSoda acquisition consisted primarily of customer relationships with an aggregate value of $10,200 and a weighted-average useful life of 9 years, internal-use software valued at $3,300 with a useful life of 5 years, and a trade name valued at $900 with a useful life of 5 years. Further information regarding the calculation of the estimated fair values of these assets can be found in Note 7.

During the six months ended June 30, 2012, we acquired the operations of small business distributors for aggregate cash payments of $1,825. The assets acquired consisted primarily of customer lists and inventory, a portion of which was sold to Safeguard® distributors during the six months ended June 30, 2012. We entered into notes receivable upon the sale of the assets, and we recognized no gains or losses on these dispositions.

Note 6: Derivative financial instruments

We have entered into interest rate swaps to hedge against changes in the fair value of a portion of our long-term debt. We entered into these swaps, which we designated as fair value hedges, to achieve a targeted mix of fixed and variable rate debt, where we receive a fixed rate and pay a variable rate based on the London Interbank Offered Rate (LIBOR). Changes in the fair value of the interest rate swaps and the related long-term debt are included in interest expense in the consolidated statements of comprehensive income. When the change in the fair value of the interest rate swaps and the hedged debt are not equal (i.e., hedge ineffectiveness), the difference in the changes in fair value affects the reported amount of interest expense in our consolidated statements of comprehensive income. Information regarding hedge ineffectiveness in each period is presented in Note 7. The fair value of the interest rate swaps related to our debt due in 2012 is included in other current assets on the consolidated balance sheets. The fair value of the interest rate swaps related to our debt due in 2014 is included in other non-current assets on the consolidated balance sheets.

Information regarding interest rate swaps as of June 30, 2012 was as follows:

	Notional amount	Fair value of interest rate swaps	Increase in debt due to fair value adjustment
Fair value hedge related to long-term debt due in 2012	$84,847	$913	$474
Fair value hedge related to long-term debt due in 2014	198,000	4,190	3,475
Total fair value hedges	$282,847	$5,103	$3,949

Information regarding interest rate swaps as of December 31, 2011 was as follows:

	Notional amount	Fair value of interest rate swaps	Increase in debt due to fair value adjustment
Fair value hedge related to long-term debt due in 2012	$84,847	$1,309	$780
Fair value hedge related to long-term debt due in 2014	198,000	3,230	2,788
Total fair value hedges	$282,847	$4,539	$3,568

During the first quarter of 2011, we retired a portion of our long-term debt due in 2012 (see Note 10). In conjunction with this debt retirement, we settled a portion of the interest rate swaps and received cash payments of $2,548. Interest rate swaps remaining after the settlement were redesignated as fair value hedges during March 2011. In conjunction with the debt retirement, we recognized $3,094 of the fair value adjustment to the hedged debt, decreasing the loss on early debt extinguishment recognized during the first quarter of 2011. The $1,355 remaining fair value adjustment to the hedged debt as of the date hedge accounting was discontinued is being recorded as a decrease to interest expense over the term of the remaining debt.

Note 7: Fair value measurements

2012 acquisitions – For all business combinations, we are required to measure the fair value of the net identifiable tangible and intangible assets and liabilities acquired, excluding goodwill and deferred income taxes. The identifiable net assets acquired during the quarter ended June 30, 2012 (see Note 5) were comprised primarily of customer relationships, a trade name and internal-use software associated with the acquisition of OrangeSoda, Inc. The fair value of the customer relationships was estimated using the multi-period excess earnings method and the cost method. Assumptions used in these calculations included same-customer revenue growth rates, management's estimates of the costs to obtain and retain customers, and estimated annual customer retention rates based on the acquiree's historical information. The aggregate calculated fair value of the customer relationships was $10,200, which is being amortized over a weighted-average useful life of 9 years using an accelerated method. The fair value of the internal-use software was estimated using a cost of reproduction method. The primary components of the software were identified and the estimated cost to reproduce the software was calculated based on estimated time and labor rates derived from our historical data from previous upgrades of similar size and nature. The calculated fair value of the internal-use software was $3,300, which is being amortized on the straight-line basis over 5 years. The fair value of the trade name was estimated using a relief from royalty method, which calculates the cost savings associated with owning rather than licensing the trade name. An assumed royalty rate was applied to forecasted revenue and the resulting cash flows were discounted. The assumed royalty rate was based on market data and an analysis of the expected margins for the acquired operations. The calculated fair value of the trade name was $900, which is being amortized on the straight-line basis over 5 years.

Recurring fair value measurements – Cash and cash equivalents as of June 30, 2012 include available-for-sale marketable securities (see Note 3). These securities consist of investments in various money market funds which are traded in active markets. As such, the fair value of these investments is determined based on quoted market prices. Because of the short-term nature of the underlying investments, the cost of these securities approximates their fair value. The cost of securities sold is determined using the average cost method. No gains or losses on sales of these marketable securities were realized during the quarters or six months ended June 30, 2012.

Funds held for customers include available-for-sale marketable securities (see Note 3). These securities consist primarily of a mutual fund investment which invests in Canadian and provincial government securities. The fund is not traded in an active market and its fair value is determined by obtaining quoted prices in active markets for the underlying securities held by the fund. Unrealized gains and losses, net of tax, are included in accumulated other comprehensive loss on the consolidated balance sheets. Realized gains and losses are included in revenue on the consolidated statements of comprehensive income and were not significant for the quarters or six months ended June 30, 2012 and 2011. The cost of securities sold is determined using the average cost method.

Other current assets include available-for-sale marketable securities (see Note 3). These securities consist of a Canadian money market fund which is not traded in an active market. As such, the fair value of this investment is determined by obtaining quoted prices in active markets for the underlying securities held by the fund. Because of the short-term nature of the underlying investments, the cost of these securities approximates their fair value. The cost of securities sold is determined using the average cost method. No gains or losses on sales of these marketable securities were realized during the quarters or six months ended June 30, 2012 and 2011.

We have elected to account for a long-term investment in domestic mutual funds under the fair value option for financial assets and financial liabilities. The fair value option provides companies an irrevocable option to measure many financial assets and liabilities at fair value with changes in fair value recognized in earnings. The investment is included in long-term investments on the consolidated balance sheets. Long-term investments also include the cash surrender values of company-owned life insurance policies. Realized and unrealized gains and losses, as well as dividends earned by the mutual fund investment, are included in selling, general and administrative (SG&A) expense on the consolidated statements of comprehensive income. This investment corresponds to a liability under an officers' deferred compensation plan which is not available to new participants and is fully funded by the investment in mutual funds. The liability under the plan equals the fair value of the investment in mutual funds. Thus, as the value of the investment changes, the value of the liability changes accordingly. As changes in the liability are reflected within SG&A expense on the consolidated statements of comprehensive income, the fair value option of accounting for the investment in mutual funds allows us to net changes in the investment and the related liability in the statements of comprehensive income. The cost of securities sold is determined using the average cost method. Realized gains recognized during the quarters and six months ended June 30, 2012 and 2011 were not significant. We recognized a net unrealized loss on the investment in mutual funds of $105 during the quarter ended June 30, 2012 and a net unrealized gain of $63 during the quarter ended June 30, 2011. We recognized a net unrealized gain of $6 during the six months ended June 30, 2012 and $243 during the six months ended June 30, 2011.

The fair value of interest rate swaps (see Note 6) is determined at each reporting date by means of a pricing model utilizing readily observable market interest rates. The change in fair value is determined as the change in the present value of estimated future cash flows discounted using the LIBOR rate. Changes in the fair value of the interest rate swaps, as well as changes in the fair value of the hedged debt, are included in interest expense in the consolidated statements of comprehensive income and were as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Gain (loss) from derivatives	$322	$771	$563	$(274)
Loss from change in fair value of hedged debt	(288)	(928)	(769)	(323)
Net decrease (increase) in interest expense	$34	$(157)	$(206)	$(597)

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Information regarding recurring fair value measurements completed during each period was as follows:

	Fair value as of June 30, 2012	Fair value measurements using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable securities (cash equivalents)	$21,180	$21,180	$—	$—
Marketable securities (funds held for customers)	5,505	—	5,505	$—
Marketable securities (other current assets)	2,024	—	2,024	—
Long-term investment in mutual funds	2,035	2,035	—	—
Derivative assets	5,103	—	5,103	—

	Fair value as of December 31, 2011	Fair value measurements using Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable securities (funds held for customers)	$5,418	$—	$ 5,418	$—
Marketable securities (other current assets)	2,001	—	2,001	—
Long-term investment in mutual funds	2,165	2,165	—	—
Derivative assets	4,539	—	4,539	—

Fair value measurements of other financial instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash included within funds held for customers – The carrying amounts reported in the consolidated balance sheets approximate fair value because of the short-term nature of these items.

Loans and notes receivable from distributors – We have receivables for loans made to our Safeguard® distributors. In addition, during both 2012 and 2011, we acquired the operations of several small business distributors which we then sold to our Safeguard distributors. In most cases, we entered into notes receivable upon the sale of the assets to the distributors. The fair value of these receivables is calculated as the present value of expected future cash flows, discounted using an estimated interest rate based on published bond yields for companies of similar risk.

Long-term debt – The fair value of long-term debt is based on quoted prices for identical liabilities when traded as assets in an active market. As of December 31, 2011, our long-term debt issued in March 2011 was not traded in an active market. As such, its fair value as of December 31, 2011 was determined by means of a pricing model utilizing readily observable market interest rates and data from trades executed by institutional investors. The fair value of long-term debt included in the table below does not reflect the impact of hedging activity. The carrying amount of long-term debt includes the change in fair value of hedged long-term debt.

The estimated fair values of these financial instruments were as follows:

	June 30, 2012		Fair value measurements using		
			Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Carrying value	Fair value	(Level 1)	(Level 2)	(Level 3)
Cash	$23,951	$23,951	$23,951	$—	$—
Cash (funds held for customers)	36,495	36,495	36,495	—	—
Loans and notes receivable from distributors	15,563	14,055	—	—	14,055
Long-term debt, including portion due within one year	742,143	764,969	764,969	—	—
	December 31, 2011		Fair value measurements using		
			Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Carrying value	Fair value	(Level 1)	(Level 2)	(Level 3)
Cash	$28,687	$28,687	$28,687	$—	$—
Cash (funds held for customers)	38,976	38,976	38,976	—	—
Loans and notes receivable from distributors	11,940	10,616	—	—	10,616
Long-term debt, including portion due within one year	741,706	738,157	544,657	193,500	—

Note 8: Restructuring charges

Net restructuring charges for each period consisted of the following components:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Severance accruals	$1,044	$2,027	$3,036	$2,823
Severance reversals	(443)	(171)	(908)	(909)
Net restructuring accruals	601	1,856	2,128	1,914
Other costs	1,320	2,748	1,670	4,164
Net restructuring charges	$1,921	$4,604	$3,798	$6,078

The net restructuring charges are reflected in the consolidated statements of comprehensive income as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cost of goods sold	$(77)	$529	$1,162	$576
Operating expenses	1,998	4,075	2,636	5,502
Net restructuring charges	$1,921	$4,604	$3,798	$6,078

2012 restructuring charges – During the quarter ended June 30, 2012, the net restructuring accruals included severance charges related to employee reductions across functional areas as we continue to reduce costs, including the planned closing of a printing facility by early 2013 and the planned closing of two customer call centers during the third quarter of 2012. Restructuring charges for the six months ended June 30, 2012 also included severance charges related to the planned closing of a printing facility in the fourth quarter of 2012. The restructuring accruals included severance benefits for approximately 50 employees for the quarter ended June 30, 2012 and severance benefits for approximately 195 employees for the six months ended June 30, 2012. These charges were reduced by the reversal of restructuring accruals recorded primarily in previous years, as fewer employees received severance benefits than originally estimated. Other restructuring costs, which were expensed as incurred, included items such as employee and equipment moves, training and travel related to our restructuring activities.

2011 restructuring charges – During the quarter and six months ended June 30, 2011, the net restructuring accruals included severance charges related to employee reductions in various functional areas as we continued to reduce costs. The restructuring accruals included severance benefits for approximately 70 employees for the quarter ended June 30, 2011 and severance benefits for approximately 90 employees for the six months ended June 30, 2011. These charges were reduced by the reversal of restructuring accruals, recorded primarily in 2010, as fewer employees received severance benefits than originally estimated. Other restructuring costs, which were expensed as incurred, included items such as employee and equipment moves, training and travel related to our restructuring activities.

Restructuring accruals of $3,766 as of June 30, 2012 are reflected in the consolidated balance sheet as accrued liabilities. Restructuring accruals of $6,032 as of December 31, 2011 are reflected in the consolidated balance sheet as accrued liabilities of $5,946 and other non-current liabilities of $86. The majority of the employee reductions are expected to be completed by the end of 2012 , and we expect most of the related severance payments to be paid by mid-2013, utilizing cash from operations. The remaining payments due under operating lease obligations will be paid through May 2013. As of June 30, 2012, approximately 225 employees had not yet started to receive severance benefits. Further information regarding our restructuring accruals can be found under the caption “Note 8: Restructuring charges” in the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

As of June 30, 2012, accruals for our restructuring initiatives, summarized by year, were as follows:

	2009 initiatives	2010 initiatives	2011 initiatives	2012 initiatives	Total
Balance, December 31, 2011	$184	$781	$5,067	$—	$6,032
Restructuring charges	11	9	262	2,754	3,036
Restructuring reversals	—	(189)	(672)	(47)	(908)
Payments	(157)	(373)	(3,082)	(782)	(4,394)
Balance, June 30, 2012	$38	$228	$1,575	$1,925	$3,766
Cumulative amounts:					
Restructuring charges	$11,035	$9,724	$9,056	$2,754	$32,569
Restructuring reversals	(1,670)	(1,511)	(1,283)	(47)	(4,511)
Payments	(9,327)	(7,985)	(6,198)	(782)	(24,292)
Balance, June 30, 2012	$38	$228	$1,575	$1,925	$3,766

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As of June 30, 2012, the components of our restructuring accruals, by segment, were as follows:

	Employee severance benefits				Operating lease obligations		
	Small Business Services	Financial Services	Direct Checks	Corporate	Small Business Services	Direct Checks	Total
Balance, December 31, 2011	$887	$1,397	$744	$2,647	$69	$288	$6,032
Restructuring charges	891	166	162	1,817	—	—	3,036
Restructuring reversals	(72)	(124)	(75)	(637)	—	—	(908)
Inter-segment transfer	184	(184)	(40)	40	—	—	—
Payments	(1,466)	(979)	(7)	(1,774)	(66)	(102)	(4,394)
Balance, June 30, 2012	$424	$276	$784	$2,093	$3	$186	$3,766
Cumulative amounts[1]:							
Restructuring charges	$9,888	$6,000	$3,445	$12,363	$364	$509	$32,569
Restructuring reversals	(1,621)	(839)	(267)	(1,784)	—	—	(4,511)
Inter-segment transfer	309	50	(38)	(321)	—	—	—
Payments	(8,152)	(4,935)	(2,356)	(8,165)	(361)	(323)	(24,292)
Balance, June 30, 2012	$424	$276	$784	$2,093	$3	$186	$3,766

[1] Includes accruals related to our cost reduction initiatives for 2009 through 2012.

Note 9: Pension and other postretirement benefits

We have historically provided certain health care benefits for a large number of retired U.S. employees. In addition to our retiree health care plan, we also have a supplemental executive retirement plan in the United States. Further information regarding our postretirement benefit plans can be found under the caption “Note 12: Pension and other postretirement benefits” in the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

Pension and postretirement benefit expense for the quarters ended June 30, 2012 and 2011 consisted of the following components:

	Postretirement benefit plan		Pension plan	
	2012	2011	2012	2011
Interest cost	$1,478	$1,667	$37	$41
Expected return on plan assets	(1,950)	(1,963)	—	—
Amortization of prior service credit	(764)	(936)	—	—
Amortization of net actuarial losses	1,467	1,354	2	—
Net periodic benefit expense	$231	$122	$39	$41

Pension and postretirement benefit expense for the six months ended June 30, 2012 and 2011 consisted of the following components:

	Postretirement benefit plan		Pension plan	
	2012	2011	2012	2011
Interest cost	$2,956	$3,334	$74	$82
Expected return on plan assets	(3,901)	(3,926)	—	—
Amortization of prior service credit	(1,528)	(1,871)	—	—
Amortization of net actuarial losses	2,935	2,708	4	—

Net periodic benefit expense	$462	$245	$78	$82

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Note 10: Debt

Debt outstanding was comprised of the following:

	June 30, 2012	December 31, 2011
5.125% senior, unsecured notes due October 1, 2014, net of discount[(1)]	$256,847	$256,131
7.375% senior notes due June 1, 2015	200,000	200,000
7.0% senior notes due March 15, 2019	200,000	200,000
Long-term portion of debt	656,847	656,131
5.0% senior, unsecured notes due December 15, 2012, net of discount[(2)]	85,296	85,575
Total debt	$742,143	$741,706

[(1)] Includes increase due to cumulative change in fair value of hedged debt of $3,475 as of June 30, 2012 and $2,788 as of December 31, 2011.
[(2)] Includes increase due to cumulative change in fair value of hedged debt of $474 as of June 30, 2012 and $780 as of December 31, 2011.

Discounts from par value are being amortized ratably as increases to interest expense over the term of the related debt.

All of our notes include covenants that place certain restrictions on the issuance of additional debt and limitations on certain liens. The notes due in 2019 and 2015 also include limitations on our ability to issue redeemable stock and preferred stock, make loans and investments, and consolidate, merge or sell all or substantially all of our assets.

In March 2011, we issued $200,000 of 7.0% senior notes maturing on March 15, 2019. The notes were issued via a private placement under Rule 144A of the Securities Act of 1933. These notes were subsequently registered with the Securities and Exchange Commission (SEC) via a registration statement which became effective on January 10, 2012. Interest payments are due each March and September. The notes are guaranteed by certain of our subsidiaries and place a limitation on restricted payments, including share repurchases and increases in dividend levels. The limitation on restricted payments does not apply if the notes are upgraded to an investment-grade credit rating. Financial information for the guarantor subsidiaries can be found in Note 14. At any time prior to March 15, 2014, we may on one or more occasions redeem up to 35% of the original principal amount of the notes with the proceeds of one or more equity offerings at a redemption price of 107% of the principal amount of the notes, together with accrued and unpaid interest. At any time prior to March 15, 2015, we may also redeem some or all of the notes at a price equal to 100% of the principal amount plus accrued and unpaid interest and a make-whole premium. At any time on or after March 15, 2015, we may redeem some or all of the notes at prices ranging from 100% to 103.5% of the principal amount. If at any time we sell certain of our assets or experience specific types of changes in control, we must offer to purchase all of the outstanding notes at 101% of the principal amount. Proceeds from the offering, net of offering costs, were $196,195. These proceeds were used to retire a portion of our senior, unsecured notes due in 2012. The fair value of the notes issued in March 2011 was $212,000 as of June 30, 2012, based on quoted prices for identical liabilities when traded as assets.

In May 2007, we issued $200,000 of 7.375% senior notes maturing on June 1, 2015. The notes were issued via a private placement under Rule 144A of the Securities Act of 1933. These notes were subsequently registered with the SEC via a registration statement which became effective on June 29, 2007. Interest payments are due each June and December. The notes are guaranteed by the same subsidiaries which guarantee our notes due in 2019 and place a limitation on restricted payments, including share repurchases and increases in dividend levels. This limitation does not apply if the notes are upgraded to an investment-grade credit rating. Financial information for the guarantor subsidiaries can be found in Note 14. Principal redemptions may be made at our election at any time at redemption prices ranging from 100% to 103.688% of the principal amount. If we sell certain of our assets or experience specific types of changes in control, we must offer to purchase all of the outstanding notes at 101% of the principal amount. Proceeds from the offering, net of offering costs, were $196,329. These proceeds were used as part of our repayment of unsecured notes which matured on October 1, 2007. The fair value of the notes issued in May 2007 was $211,000 as of June 30, 2012, based on quoted prices for identical liabilities when traded as assets.

In October 2004, we issued $275,000 of 5.125% senior, unsecured notes maturing on October 1, 2014. The notes were issued via a private placement under Rule 144A of the Securities Act of 1933. These notes were subsequently registered with the SEC via a registration statement which became effective on November 23, 2004. Interest payments are due each April and October. Proceeds from the offering, net of offering costs, were $272,276. These proceeds were used to repay commercial paper borrowings used for the acquisition of New England Business Service, Inc. in 2004. During the quarter ended March 31, 2011, we retired $10,000 of these notes, realizing a pre-tax loss of $185. As of June 30, 2012, the fair value of the $253,500 remaining notes outstanding was $256,035 based on quoted prices for identical liabilities when traded as assets. As discussed in Note 6, we have entered into interest rate swaps to hedge a portion of these notes. The fair value of long-term debt disclosed here does not reflect the impact of these fair value hedges.

In December 2002, we issued $300,000 of 5.0% senior, unsecured notes maturing on December 15, 2012. These notes were issued under our shelf registration statement covering up to $300,000 in medium-term notes, thereby exhausting that registration statement. Interest payments are due each June and December. Principal redemptions may be made at our election prior to the stated maturity. Proceeds from the offering, net of offering costs, were $295,722. These proceeds were used for general corporate purposes, including funding share repurchases, capital asset purchases and working capital. During the quarter ended March 31, 2011, we retired $195,463 of these notes, realizing a pre-tax loss of $6,810. As of June 30, 2012, the fair value of the $84,847 remaining notes outstanding was $85,934, based on quoted prices for identical liabilities when traded as assets. As discussed in Note 6, we have entered into interest rate swaps to hedge these notes. The fair value of long-term debt disclosed here does not reflect the impact of these fair value hedges.

As of December 31, 2011, we had a $200,000 credit facility, which was scheduled to expire in March 2013. In February 2012, we modified the terms of this credit facility, extending its term to February 2017. Additionally, we lowered our commitment fee to a range of 0.20% to 0.45% based on our leverage ratio. Borrowings under the credit facility are collateralized by substantially all of our personal and intangible property. The credit agreement governing the credit facility contains customary covenants regarding limits on levels of subsidiary indebtedness and capital expenditures, liens, investments, acquisitions, certain mergers, certain asset sales outside the ordinary course of business, and change in control as defined in the agreement. The agreement also contains financial covenants regarding our leverage ratio, interest coverage and liquidity.

Amounts outstanding under our credit facility were as follows:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011	
Daily average amount outstanding	$—	$21,655	
Weighted-average interest rate	—	3.03	%

No amounts were outstanding under our credit facility as of June 30, 2012 and December 31, 2011. As of June 30, 2012, amounts were available for borrowing under our credit facility as follows:

	Total available	
Credit facility commitment	$200,000	
Outstanding letters of credit	(8,535	)
Net available for borrowing as of June 30, 2012	$191,465	

Absent certain defined events of default under our debt instruments, and as long as our ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense, as defined, is in excess of two to one, our debt covenants do not restrict our ability to pay cash dividends at our current rate, although there are aggregate annual limits on the amount of dividends and share repurchases under the terms of our credit facility, as well as a cumulative limit on such payments through the term of the credit facility. If our ratio of EBITDA to interest expense falls below two to one, there would also be limitations on our ability to issue additional debt.

Note 11: Other commitments and contingencies

Indemnifications - In the normal course of business, we periodically enter into agreements that incorporate general indemnification language. These indemnifications encompass third-party claims arising from our products and services, including service failures, breach of security, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of the terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we have no reason to believe that any possible liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or annual cash flows. We have recorded liabilities for known indemnifications related to environmental matters.

Environmental matters - We are currently involved in environmental compliance, investigation and remediation activities at some of our current and former sites, primarily printing facilities of our Financial Services and Small Business Services segments which have been sold. Remediation costs are accrued on an undiscounted basis when the obligations are either known or considered probable and can be reasonably estimated. Remediation or testing costs that result directly from the sale of an asset and which we would not have otherwise incurred are considered direct costs of the sale of the asset. As such, they are included in our measurement of the carrying value of the asset sold.

Accruals for environmental matters were $8,913 as of June 30, 2012 and $8,730 as of December 31, 2011, primarily related to facilities which have been sold. These accruals are included in accrued liabilities and other long-term liabilities in the consolidated balance sheets. Accrued costs consist of direct costs of the remediation activities, primarily fees which will be paid to outside engineering and consulting firms. Although recorded accruals include our best estimates, our total costs cannot be predicted with certainty due to various factors such as the extent of corrective action that may be required, evolving environmental laws and regulations and advances in environmental technology. Where the available information is sufficient to estimate the amount of the liability, that estimate is used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range is recorded. We do not believe that the range of possible outcomes could have a material effect on our financial condition, results of operations or liquidity. Expense reflected in our consolidated statements of comprehensive income for environmental matters was $546 for the six months ended June 30, 2012 and $99 for the six months ended June 30, 2011.

As of June 30, 2012, $6,175 of the costs included in our environmental accruals were covered by an environmental insurance policy which we purchased during 2002. The insurance policy covers up to $12,911 of remediation costs, of which $6,736 had been paid through June 30, 2012. This insurance policy does not cover properties acquired subsequent to 2002. However, costs included in our environmental accruals for such properties were not material as of June 30, 2012. We do not anticipate significant net cash outlays for environmental matters in 2012. The insurance policy also covers up to $10,000 of third-party claims through 2032 at certain owned, leased and divested sites, as well as any new conditions discovered at certain owned or leased sites through 2012. We consider the realization of recovery under the insurance policy to be probable based on the insurance contract in place with a reputable and financially-sound insurance company. As our environmental accruals include our best estimates of these costs, we have recorded receivables from the insurance company within other current assets and other non-current assets based on the amounts of our environmental accruals for insured sites.

We also have an additional environmental site liability insurance policy providing coverage on facilities which we acquired subsequent to 2002. This policy covers liability for claims of bodily injury or property damage arising from pollution events at the covered facilities. The policy also provides remediation coverage should we be required by a governing authority to perform remediation activities at the covered sites. The policy provides coverage of up to $15,000 through April 2019. No accruals have been recorded in our consolidated financial statements for any of the events contemplated in this insurance policy.

Self-insurance - We are self-insured for certain costs, primarily workers' compensation claims and medical and dental benefits. The liabilities associated with these items represent our best estimate of the ultimate obligations for reported claims plus those incurred, but not reported. The liability for workers' compensation, which totaled $4,863 as of June 30, 2012 and $5,141 as of December 31, 2011, is accounted for on a present value basis. The difference between the discounted and undiscounted workers' compensation liability was $25 as of June 30, 2012 and $20 as of December 31, 2011. We record liabilities for medical and dental benefits for active employees and those employees on long-term disability. Our liability for active employees is not accounted for on a present value basis as we expect the benefits to be paid in a relatively short period of time. Our liability for those employees on long-term disability is accounted for on a present value basis. Our total liability for these medical and dental benefits totaled $4,288 as of

June 30, 2012 and $3,848 as of December 31, 2011. The difference between the discounted and undiscounted medical and dental liability was $296 as of June 30, 2012 and December 31, 2011.

Our self-insurance liabilities are estimated, in part, by considering historical claims experience, demographic factors and other actuarial assumptions. The estimated accruals for these liabilities could be significantly affected if future events and claims differ from these assumptions and historical trends.

Note 12: Shareholders' equity

Shares outstanding – Changes in common shares outstanding were as follows:

	Six Months Ended June 30, 2012
Balance, December 31, 2011	50,826
Issued	249
Repurchased	(509)
Retired	(25)
Balance, June 30, 2012	50,541

Share repurchases – We have an outstanding authorization from our board of directors to purchase up to 10,000 shares of our common stock. This authorization has no expiration date, and 4,748 shares remained available for purchase under this authorization as of June 30, 2012. During the six months ended June 30, 2012, we repurchased 509 shares for $11,999.

Accumulated other comprehensive loss was comprised of the following:

	Pension and postretirement benefit plans, net of tax	Loss on derivatives, net of tax[1]	Net unrealized gain on marketable securities, net of tax	Currency translation adjustment	Accumulated other comprehensive loss
Balance, December 31, 2011	$(62,278)	$(2,931)	$178	$5,630	$(59,401)
Current period other comprehensive income (loss)	878	557	(11)	28	1,452
Balance, June 30, 2012	$(61,400)	$(2,374)	$167	$5,658	$(57,949)

[1] Relates to interest rate locks executed in 2004 and 2002. See the caption "Note 6: Derivative financial instruments" in the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

Note 13: Business segment information

We operate three reportable business segments: Small Business Services, Financial Services and Direct Checks. Our business segments are generally organized by type of customer served and reflect the way we manage the company. Small Business Services promotes and sells products and services to small businesses via mail and the internet, referrals from financial institutions and telecommunications clients, a network of distributors and dealers, and a direct sales force which focuses on major accounts. These efforts are supplemented by the account development efforts of an outbound telemarketing group. Financial Services' products and services are sold through multiple channels, including a direct sales force, to financial institution clients nationwide, including banks, credit unions and financial services companies. Direct Checks sells products and services directly to consumers using direct response marketing via mail and the internet. All three segments operate primarily in the United States. Small Business Services also has operations in Canada and portions of Europe. Our product and service offerings are comprised of the following:

Checks – We remain one of the largest providers of checks in the United States, both in terms of revenue and the number of checks produced. Checks account for the majority of the revenue in our Financial Services and Direct Checks segments and represented 47.2% of our Small Business Services segment's revenue in 2011.

Forms – Our Small Business Services segment provides printed forms to small businesses, including billing forms, work orders, job proposals, purchase orders, invoices and personnel forms. This segment also offers computer forms compatible with accounting software packages commonly used by small businesses. Forms produced by our Financial Services and Direct Checks segments include deposit tickets and check registers.

Accessories and other products – Small Business Services produces products designed to provide small business owners with the customized documents necessary to efficiently manage their business including envelopes, office supplies, stamps and labels, as well as retail packaging supplies. Our Financial Services and Direct Checks segments offer check book covers and stamps.

Marketing solutions – All three of our segments offer products and services that help small businesses and financial institutions promote their businesses and acquire customers. Our Small Business Services segment offers services such as web design, hosting and other web services, logo design, search engine optimization and marketing, and digital printing services designed to fulfill the sales and marketing needs of small businesses, as well as products such as business cards, greeting cards, brochures and apparel. Financial Services offers various customer acquisition programs and marketing communications services, while Direct Checks provides package insert programs under which companies' marketing materials are included in our check packages.

Other services – All three of our segments provide fraud protection services. In addition, our Small Business Services segment offers payroll services, and Financial Services provides financial institution profitability, regulatory and compliance programs.

The accounting policies of the segments are the same as those described in the Notes to Consolidated Financial Statements included in the 2011 Form 10-K. We allocate corporate costs for our shared services functions to our business segments, including costs of our executive management, human resources, supply chain, finance, information technology and legal functions. Generally, where costs incurred are directly attributable to a business segment, primarily within the areas of information technology, supply chain and finance, those costs are charged directly to that segment. Because we use a shared services approach for many of our functions, certain costs are not directly attributable to a business segment. These costs are allocated to our business segments based on segment revenue, as revenue is a measure of the relative size and magnitude of each segment and indicates the level of corporate shared services consumed by each segment. Corporate assets are not allocated to the segments and consist of property, plant and equipment, internal-use software, inventories and supplies related to our corporate shared services functions of manufacturing, information technology and real estate, as well as long-term investments.

We are an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations and the sharing of assets. Therefore, we do not represent that these segments, if operated independently, would report the operating income and other financial information shown.

The following is our segment information as of and for the quarters ended June 30, 2012 and 2011:

		Reportable Business Segments				
		Small Business Services	Financial Services	Direct Checks	Corporate	Consolidated
Revenue from external customers:	2012	$233,088	$85,664	$52,262	$—	$371,014
	2011	203,156	86,656	56,462	—	346,274
Operating income:	2012	38,241	19,981	15,354	—	73,576
	2011	34,329	13,214	16,443	—	63,986
Depreciation and amortization expense:	2012	11,017	3,021	2,299	—	16,337
	2011	11,398	3,412	4,130	—	18,940
Total assets:	2012	860,819	93,928	171,222	296,225	1,422,194
	2011	778,740	96,847	173,928	285,461	1,334,976
Capital asset purchases:	2012	—	—	—	8,338	8,338
	2011	—	—	—	10,874	10,874

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The following is our segment information as of and for the six months ended June 30, 2012 and 2011:

		Reportable Business Segments				
		Small Business Services	Financial Services	Direct Checks	Corporate	Consolidated
Revenue from external customers:	2012	$462,684	$176,257	$110,055	$—	$748,996
	2011	403,159	174,670	118,197	—	696,026
Operating income:	2012	77,015	41,902	32,684	—	151,601
	2011	70,099	28,911	32,431	—	131,441
Depreciation and amortization expense:	2012	22,404	6,275	4,755	—	33,434
	2011	22,533	6,165	9,985	—	38,683
Total assets:	2012	860,819	93,928	171,222	296,225	1,422,194
	2011	778,740	96,847	173,928	285,461	1,334,976
Capital asset purchases:	2012	—	—	—	17,334	17,334
	2011	—	—	—	19,296	19,296

Note 14: Supplemental guarantor financial information

In March 2011, we issued $200,000 of long-term notes due March 15, 2019. The notes were issued under a private placement under Rule 144A of the Securities Act of 1933. These notes were subsequently registered with the SEC via a registration statement which became effective on January 10, 2012. These notes are jointly and severally guaranteed on a full and unconditional basis, subject to the release provisions described herein, by certain 100%-owned subsidiaries that guarantee any of our other indebtedness. These subsidiaries also guarantee our obligations under our credit facility and our long-term notes due in 2015. The subsidiary guarantees with respect to the notes due in March 2019 are subject to release upon the occurrence of certain events: the sale of all or substantially all of a subsidiary's assets, when the requirements for defeasance of the guaranteed securities have been satisfied, when the subsidiary is declared an unrestricted subsidiary, or upon satisfaction and discharge of the indenture.

The following condensed supplemental consolidating financial information reflects the summarized financial information of Deluxe Corporation, the guarantors on a combined basis and the non-guarantor subsidiaries on a combined basis. Separate financial statements of the guarantors are not presented because the guarantors are jointly, severally, fully and unconditionally liable under the guarantees, subject to the release provisions described herein, and we believe that the condensed consolidating financial statements presented are sufficient to provide an understanding of the financial position, results of operations and cash flows of the guarantors. We made certain immaterial corrections to the 2011 information presented for the guarantor subsidiaries and the non-guarantor subsidiaries. The corrections resulted in an increase in revenue of the guarantor subsidiaries, with a corresponding decrease in revenue of the non-guarantor subsidiaries. Corrections to related expense amounts and the resulting corrections to the condensed consolidating statement of cash flows were also recorded. In addition, the presentation of deferred income taxes as of December 31, 2011 for Deluxe Corporation was modified to conform to the current year presentation. These corrections had no impact on our consolidated financial statements.

We are an integrated enterprise, characterized by substantial intersegment cooperation, cost allocations and the sharing of assets. Therefore, we do not represent that the financial information presented is indicative of the financial position, results of operations or cash flows which the entities would have reported if they had operated independently. The condensed consolidating financial statements should be read in conjunction with our consolidated financial statements.

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Deluxe Corporation
Condensed Consolidating Balance Sheet

	June 30, 2012 Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$19,956	$5,064	$20,111	$—	$45,131
Trade accounts receivable, net	—	57,005	12,278	—	69,283
Inventories and supplies	—	21,589	2,224	—	23,813
Deferred income taxes	—	6,592	758	(541)	6,809
Funds held for customers	—	—	42,000	—	42,000
Other current assets	14,755	14,104	5,188	—	34,047
Total current assets	34,711	104,354	82,559	(541)	221,083
Long-Term Investments	37,063	9,063	—	—	46,126
Property, Plant And Equipment, net	—	91,290	16,933	—	108,223
Intangibles, net	—	159,681	1,810	—	161,491
Goodwill	—	787,779	1,963	—	789,742
Deferred Income Taxes	25,007	—	—	(25,007)	—
Investments In Consolidated Subsidiaries	1,401,308	20,688	—	(1,421,996)	—
Intercompany (Payable) Receivable	(380,835)	420,384	(39,549)	—	—
Other Non-Current Assets	12,177	67,789	15,563	—	95,529
Total Assets	$1,129,431	$1,661,028	$79,279	$(1,447,544)	$1,422,194
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$11,656	$44,669	$4,380	$—	$60,705
Accrued liabilities	12,841	81,947	48,196	—	142,984
Deferred income taxes	541	—	—	(541)	—
Long-term debt due within one year	85,296	—	—	—	85,296
Total current liabilities	110,334	126,616	52,576	(541)	288,985
Long-Term Debt	656,847	—	—	—	656,847
Deferred Income Taxes	—	76,085	3,187	(25,007)	54,265
Other Non-Current Liabilities	3,333	57,019	2,828	—	63,180
Total Shareholders' Equity	358,917	1,401,308	20,688	(1,421,996)	358,917
Total Liabilities And Shareholders' Equity	$1,129,431	$1,661,028	$79,279	$(1,447,544)	$1,422,194

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Deluxe Corporation
Condensed Consolidating Balance Sheet

	December 31, 2011				
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$3,047	$1,522	$24,118	$—	$28,687
Trade accounts receivable, net	—	57,463	11,560	—	69,023
Inventories and supplies	—	19,941	2,102	—	22,043
Deferred income taxes	1,035	5,430	751	—	7,216
Funds held for customers	—	—	44,394	—	44,394
Other current assets	5,851	10,469	4,892	—	21,212
Total current assets	9,933	94,825	87,817	—	192,575
Long-Term Investments	36,338	8,809	—	—	45,147
Property, Plant And Equipment, net	—	96,345	17,066	—	113,411
Assets Held For Sale	—	2,741	—	—	2,741
Intangibles, net	—	155,452	1,887	—	157,339
Goodwill	—	775,044	1,954	—	776,998
Deferred Income Taxes	27,471	—	—	(27,471)	—
Investments In Consolidated Subsidiaries	1,307,149	15,478	—	(1,322,627)	—
Intercompany (Payable) Receivable	(316,876)	360,789	(43,913)	—	—
Other Non-Current Assets	11,758	72,944	15,896	—	100,598
Total Assets	$1,075,773	$1,582,427	$80,707	$(1,350,098)	$1,388,809
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$13,401	$44,908	$6,385	$—	$64,694
Accrued liabilities	12,272	86,001	51,825	—	150,098
Long-term debt due within one year	85,575	—	—	—	85,575
Total current liabilities	111,248	130,909	58,210	—	300,367
Long-Term Debt	656,131	—	—	—	656,131
Deferred Income Taxes	—	74,133	3,145	(27,471)	49,807
Other Non-Current Liabilities	5,705	70,236	3,874	—	79,815
Total Shareholders' Equity	302,689	1,307,149	15,478	(1,322,627)	302,689
Total Liabilities And Shareholders' Equity	$1,075,773	$1,582,427	$80,707	$(1,350,098)	$1,388,809

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Deluxe Corporation
Condensed Consolidating Statement of Comprehensive Income

	Quarter Ended June 30, 2012				
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Total
Revenue	$2,135	$335,213	$67,714	$(34,048)	$371,014
Cost of goods sold	—	(118,791)	(39,105)	30,302	(127,594)
Gross Profit	2,135	216,422	28,609	(3,746)	243,420
Operating expenses	(998)	(149,141)	(23,451)	3,746	(169,844)
Operating Income	1,137	67,281	5,158	—	73,576
Interest expense	(11,339)	(3,345)	(407)	3,735	(11,356)
Other income	3,337	569	146	(3,735)	317
(Loss) Income Before Income Taxes	(6,865)	64,505	4,897	—	62,537
Income tax benefit (provision)	3,884	(21,218)	(2,941)	—	(20,275)
(Loss) Income Before Equity In Earnings Of Consolidated Subsidiaries	(2,981)	43,287	1,956	—	42,262
Equity in earnings of consolidated subsidiaries	45,243	1,956	—	(47,199)	—
Net Income	$42,262	$45,243	$1,956	$(47,199)	$42,262
Comprehensive Income	$42,183	$44,879	$1,185	$(46,064)	$42,183

Deluxe Corporation
Condensed Consolidating Statement of Comprehensive Income

	Quarter Ended June 30, 2011				
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Total
Revenue	$2,128	$312,009	$67,281	$(35,144)	$346,274
Cost of goods sold	—	(111,685)	(39,835)	30,833	(120,687)
Gross Profit	2,128	200,324	27,446	(4,311)	225,587
Operating expenses	(2,333)	(141,411)	(22,168)	4,311	(161,601)
Operating (Loss) Income	(205)	58,913	5,278	—	63,986
Interest expense	(12,006)	(3,079)	(431)	3,462	(12,054)
Other income (expense)	3,057	128	208	(3,462)	(69)
(Loss) Income Before Income Taxes	(9,154)	55,962	5,055	—	51,863
Income tax benefit (provision)	4,209	(20,094)	(505)	—	(16,390)
(Loss) Income Before Equity In Earnings Of Consolidated Subsidiaries	(4,945)	35,868	4,550	—	35,473
Equity in earnings of consolidated subsidiaries	40,418	4,550	—	(44,968)	—
Net Income	$35,473	$40,418	$4,550	$(44,968)	$35,473
Comprehensive Income	$36,365	$41,029	$4,917	$(45,946)	$36,365

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Deluxe Corporation
Condensed Consolidating Statement of Comprehensive Income

	Six Months Ended June 30, 2012				
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Total
Revenue	$4,233	$677,015	$139,742	$(71,994)	$748,996
Cost of goods sold	—	(237,151)	(82,638)	64,707	(255,082)
Gross Profit	4,233	439,864	57,104	(7,287)	493,914
Operating expenses	(3,370)	(298,846)	(47,384)	7,287	(342,313)
Operating Income	863	141,018	9,720	—	151,601
Interest expense	(23,006)	(5,607)	(693)	6,253	(23,053)
Other income	5,700	315	594	(6,253)	356
(Loss) Income Before Income Taxes	(16,443)	135,726	9,621	—	128,904
Income tax benefit (provision)	8,642	(46,778)	(4,427)	—	(42,563)
(Loss) Income Before Equity In Earnings Of Consolidated Subsidiaries	(7,801)	88,948	5,194	—	86,341
Equity in earnings of consolidated subsidiaries	94,142	5,194	—	(99,336)	—
Net Income	$86,341	$94,142	$5,194	$(99,336)	$86,341
Comprehensive Income	$87,793	$95,026	$5,263	$(100,289)	$87,793

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Deluxe Corporation
Condensed Consolidating Statement of Comprehensive Income

	Six Months ended June 30, 2011				
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Total
Revenue	$4,256	$626,710	$137,622	$(72,562)	$696,026
Cost of goods sold	—	(223,129)	(81,371)	63,651	(240,849)
Gross Profit	4,256	403,581	56,251	(8,911)	455,177
Operating expenses	(6,785)	(281,183)	(44,679)	8,911	(323,736)
Operating (Loss) Income	(2,529)	122,398	11,572	—	131,441
Loss on early debt extinguishment	(6,995)	—	—	—	(6,995)
Interest expense	(24,011)	(5,256)	(725)	5,900	(24,092)
Other income	4,821	587	578	(5,900)	86
(Loss) Income Before Income Taxes	(28,714)	117,729	11,425	—	100,440
Income tax benefit (provision)	12,311	(42,273)	(2,449)	—	(32,411)
(Loss) Income Before Equity In Earnings Of Consolidated Subsidiaries	(16,403)	75,456	8,976	—	68,029
Equity in earnings of consolidated subsidiaries	84,432	8,976	—	(93,408)	—
Net Income	$68,029	$84,432	$8,976	$(93,408)	$68,029
Comprehensive Income	$70,480	$85,842	$9,901	$(95,743)	$70,480

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Deluxe Corporation
Condensed Consolidating Statement of Cash Flows

	Six Months Ended June 30, 2012			
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Total
Net Cash (Used) Provided By Operating Activities	$(13,374)	$110,323	$2,960	$99,909
Cash Flows From Investing Activities:				
Purchases of capital assets	—	(16,192)	(1,142)	(17,334)
Payments for acquisitions, net of cash acquired	—	(26,634)	(1,825)	(28,459)
Loans to distributors	—	(3,090)	(60)	(3,150)
Other	196	2,659	356	3,211
Net cash provided (used) by investing activities	196	(43,257)	(2,671)	(45,732)
Cash Flows From Financing Activities:				
Payments for debt issue costs	(1,163)	—	—	(1,163)
Change in book overdrafts	(2,492)	(160)	—	(2,652)
Proceeds from issuing shares under employee plans	2,873	—	—	2,873
Excess tax benefit from share-based employee awards	443	—	—	443
Payments for common shares repurchased	(11,999)	—	—	(11,999)
Cash dividends paid to shareholders	(25,423)	—	—	(25,423)
Advances from (to) consolidated subsidiaries	67,848	(63,364)	(4,484)	—
Net cash provided (used) by financing activities	30,087	(63,524)	(4,484)	(37,921)
Effect Of Exchange Rate Change On Cash	—	—	188	188
Net Change In Cash And Cash Equivalents	16,909	3,542	(4,007)	16,444
Cash And Cash Equivalents: Beginning Of Period	3,047	1,522	24,118	28,687
End of Period	$19,956	$5,064	$20,111	$45,131

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Deluxe Corporation
Condensed Consolidating Statement of Cash Flows

	Six Months ended June 30, 2011			
	Deluxe Corporation	Guarantor subsidiaries	Non-guarantor subsidiaries	Total
Net Cash (Used) Provided By Operating Activities	$(851)	$101,479	$3,554	$104,182
Cash Flows From Investing Activities:				
Purchases of capital assets	—	(18,791)	(505)	(19,296)
Payments for acquisitions, net of cash acquired	—	(35,000)	(1,754)	(36,754)
Other	(170)	683	227	740
Net cash used by investing activities	(170)	(53,108)	(2,032)	(55,310)
Cash Flows From Financing Activities:				
Net proceeds from short-term debt	6,000	—	—	6,000
Payments on long-term debt, including costs of debt reacquisition	(215,030)	—	—	(215,030)
Proceeds from issuing long-term debt	200,000	—	—	200,000
Payments for debt issue costs	(3,429)	—	—	(3,429)
Change in book overdrafts	(765)	(140)	—	(905)
Proceeds from issuing shares under employee plans	6,514	—	—	6,514
Excess tax benefit from share-based employee awards	1,313	—	—	1,313
Payments for common shares repurchased	(17,986)	—	—	(17,986)
Cash dividends paid to shareholders	(25,663)	—	—	(25,663)
Advances from (to) consolidated subsidiaries	47,455	(47,706)	251	—
Net cash (used) provided by financing activities	(1,591)	(47,846)	251	(49,186)
Effect Of Exchange Rate Change On Cash	—	—	557	557
Net Change In Cash And Cash Equivalents	(2,612)	525	2,330	243
Cash And Cash Equivalents: Beginning Of Period	3,197	683	13,503	17,383
End of Period	$585	$1,208	$15,833	$17,626

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

EXECUTIVE OVERVIEW

We employ a multi-channel strategy to provide a suite of life-cycle driven solutions to our customers. We use printed and electronic marketing, a direct sales force, financial institution and telecommunication client referrals, purchased search results from online search engines, and independent distributors and dealers to promote and sell a wide range of customized products and services. Over the past 24 months, our Small Business Services segment has provided products and services to over four million small business customers and our Direct Checks segment has provided products and services to more than eight million consumers. Through our Financial Services segment, we provide products and services to approximately 6,000 financial institution clients. We operate primarily in the United States. Small Business Services also has operations in Canada and portions of Europe. Our product and service offerings are comprised of the following:

Checks – We remain one of the largest providers of checks in the United States, both in terms of revenue and the number of checks produced. Checks account for the majority of the revenue in our Financial Services and Direct Checks segments and represented 47.2% of our Small Business Services segment's revenue in 2011.

Forms – Our Small Business Services segment is a leading provider of printed forms to small businesses, including billing forms, work orders, job proposals, purchase orders, invoices and personnel forms. This segment also offers computer forms compatible with accounting software packages commonly used by small businesses. Forms produced by our Financial Services and Direct Checks segments include deposit tickets and check registers.

Accessories and other products – Small Business Services produces products designed to provide small business owners with the customized documents necessary to efficiently manage their business including envelopes, office supplies, stamps and labels, as well as retail packaging supplies. Our Financial Services and Direct Checks segments offer checkbook covers and stamps.

Marketing solutions – All three of our segments offer products and services that help small businesses and financial institutions promote their businesses and acquire customers. Our Small Business Services segment offers services such as web design, hosting and other web services, logo design, search engine optimization and marketing, and digital printing services designed to fulfill the sales and marketing needs of small businesses, as well as products such as business cards, greeting cards, brochures and apparel. Financial Services offers various customer acquisition programs and marketing communications services, while Direct Checks provides package insert programs under which companies' marketing materials are included in our check packages.

Other services – All three of our segments provide fraud protection services. In addition, our Small Business Services segment offers payroll services, and Financial Services provides financial institution profitability, regulatory and compliance programs.

Throughout the past several years, we have focused on capitalizing on transformational opportunities available to us so that we are positioned to deliver increasing revenues and strong operating margins. These opportunities include new product and service offerings, brand awareness and positioning initiatives, investing in technology for our service offerings, enhancing our internet capabilities, improving customer segmentation, adding new small business customers, and reducing costs. In addition, we invested in various acquisitions that extend the range of products and services we offer to our customers, including marketing solutions and other services offerings and direct-to-consumer offerings. Throughout the remainder of 2012, we will continue our focus in these areas, with an emphasis on profitable revenue growth, improving our marketing solutions and other services offerings for small businesses and financial institutions, and assessing small to medium-sized acquisitions that complement our large customer bases with a focus on marketing solutions and other services.

Earnings for the first half of 2012, as compared to the first half of 2011, benefited from price increases and continuing initiatives to reduce our cost structure, primarily within our fulfillment, sales and marketing, and information technology organizations, as well as lower amortization expense related to previous acquisitions. Additionally, results for 2011 included pre-tax losses of $8.3 million from the retirement of long-term notes, including interest expense of $1.3 million due to the accelerated recognition of a related derivative loss and the settlement of interest rate swaps. These increases in net income were partially offset by volume reductions for our personal check businesses due primarily to the continuing decline in check usage, as well as higher performance-based compensation and investments in revenue-generating activities.

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Our Strategies

Details concerning our strategies were provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended December 31, 2011 (the "2011 Form 10-K"). There were no significant changes in our strategies during the first half of 2012.

Consistent with our strategy, we acquired all of the outstanding stock of OrangeSoda, Inc. during the second quarter of 2012 for cash of $26.6 million, net of cash acquired. OrangeSoda is a provider of internet marketing services specializing in search, mobile and social media campaign strategies for small businesses. This acquisition is expected to generate approximately $15 million in incremental revenue and be $0.01 per share dilutive to earnings per share in 2012, after including transaction costs and acquisition-related amortization expense.

Cost Reduction Initiatives

As discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the 2011 Form 10-K, we anticipate that we will realize net cost reductions of approximately $50 million in 2012, as compared to our 2011 results of operations. We are currently on track to realize these savings during 2012. To date, most of our savings are from our fulfillment, sales and marketing, and information technology organizations.

Outlook for 2012

We anticipate that consolidated revenue will be between $1.49 billion and $1.51 billion for 2012, compared to $1.42 billion for 2011. In Small Business Services, we expect the percentage increase in revenue to be in the low double digits compared to 2011 revenue of $846.4 million, as declines in core business products are expected to be more than offset by price increases, benefits from our e-commerce investments, and growth in our distributor, dealer and major accounts channels and in our marketing solutions and other services offerings, including incremental revenue from the PsPrint acquisition in July 2011 and the OrangeSoda acquisition in May 2012. In Financial Services, we expect the percentage decrease in revenue to be in the low single digits compared to 2011 revenue of $342.4 million, driven by check order declines of approximately five to six percent for the remainder of the year, partially offset by higher revenue per order, a new large customer which began contributing volume early in the first quarter of 2012, and continued contributions from marketing solutions and other services offerings. In Direct Checks, we expect the percentage decrease in revenue to be in the middle to high single digits compared to 2011 revenue of $228.8 million, driven by check usage declines.

We expect that 2012 diluted earnings per share will be between $3.20 and $3.35, including estimated total charges of $0.10 per share related to restructuring-related costs and transaction costs related to acquisitions, compared to $2.80 for 2011, which included total charges of $0.31 per share related to restructuring-related costs, losses on debt retirements, transaction costs related to acquisitions, and an asset impairment charge. We expect that the benefits of our cost reduction activities will be partially offset by continued investments in revenue growth opportunities, increased performance-based compensation and increases in material and delivery rates. We estimate that our annual effective tax rate for 2012 will be approximately 33%, the same as in 2011.

We anticipate that net cash provided by operating activities will be between $235 million and $245 million in 2012, compared to $235 million in 2011, driven by higher earnings, offset by higher income tax and contract acquisition payments, as well as contributions to our trust used to pay medical benefits. We anticipate contract acquisition payments of approximately $20 million in 2012, and we estimate that capital spending will be approximately $35 million in 2012 as we continue to invest in key revenue growth initiatives and order fulfillment and information technology infrastructure.

We believe that cash generated by operating activities, along with our credit facility, will be sufficient to support our operations, including capital expenditures, small-to-medium-sized acquisitions, required debt service and dividend payments, for the next 12 months. This includes payments of $84.8 million due in December 2012 when a portion of our long-term notes matures. We are focused on a disciplined approach to capital deployment that focuses on our need to continue investing in initiatives to drive revenue growth, including small-to-medium-sized acquisitions. We also anticipate that our board of directors will maintain our current dividend level. However, dividends are approved by the board of directors on a quarterly basis, and thus are subject to change. To the extent we have cash flow in excess of these priorities, our focus during 2012 will be on further reducing our debt if we are able to purchase our long-term notes on the open market and/or we may complete share repurchases to offset the dilutive impact of shares issued under our employee stock incentive plan. Because we had no borrowings on our credit facility during the first half of 2012, we may continue to accumulate larger cash and investment balances as we prepare to pay the $84.8 million of long-term debt due in December 2012.

BUSINESS CHALLENGES/MARKET RISKS

Details concerning business challenges/market risks were provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Form 10-K. There were no significant changes in these items during the first half of 2012.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Revenue

	Quarter Ended June 30,				Six Months Ended June 30,			
(in thousands, except per order amounts)	2012	2011	Change		2012	2011	Change	
Revenue	$371,014	$346,274	7.1	%	$748,996	$696,026	7.6	%
Orders	13,218	13,391	(1.3	%)	27,071	27,209	(0.5	%)
Revenue per order	$28.07	$25.86	8.5	%	$27.67	$25.58	8.2	%

The increase in revenue for the second quarter and first half of 2012, as compared to the same periods in 2011, was primarily due to price increases in all three segments, incremental revenue generated by the businesses acquired during 2012 and 2011, growth in marketing solutions and other services and our Small Business Services distributor channel, and revenue from a new large financial institution client. These revenue increases were partially offset by lower order volume for our personal check businesses and continued pricing pressure on contract renewals within Financial Services.

The number of orders decreased slightly for the second quarter and first half of 2012, as compared to the same periods in 2011, due primarily to the continuing decline in check and forms usage, partially offset by growth in marketing solutions and other services and in the Small Business Services distributor channel. Revenue per order increased for the second quarter and first half of 2012, as compared to the same periods in 2011, primarily due to the benefit of price increases in all three segments and a shift to higher dollar Small Business Services orders as check usage continues to decline. Financial Services continues to experience pricing pressure on contract renewals.

Supplemental information regarding revenue by product and service category is as follows:

	Quarter Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
Checks, including contract settlements	60.4	%	62.7	%	60.9	%	63.5	%
Forms	13.5	%	13.9	%	13.4	%	13.9	%
Accessories and other products	8.6	%	9.0	%	8.8	%	9.0	%
Marketing solutions, including services	12.3	%	9.1	%	11.6	%	8.6	%
Other services	5.2	%	5.3	%	5.3	%	5.0	%
Total revenue	100.0	%	100.0	%	100.0	%	100.0	%

Consolidated Gross Margin

	Quarter Ended June 30,					Six Months Ended June 30,				
(in thousands)	2012		2011		Change	2012		2011		Change	
Gross profit	$243,420		$225,587		7.9	%	$493,914		$455,177		8.5	%
Gross margin	65.6	%	65.1	%	0.5 pts.		65.9	%	65.4	%	0.5 pts.	

We evaluate gross margin when analyzing our consolidated results of operations to gain important insight into significant profit drivers. As a significant portion of our revenue is generated from the sale of manufactured and purchased products, we believe the measure of gross margin best demonstrates our manufacturing and distribution performance, as well as the impact of pricing on our profitability. Gross margin is not a complete measure of profitability, as it omits selling, general and administrative (SG&A) expense. However, it is a financial measure which we believe is useful in evaluating our results of operations.

Gross margin increased for the second quarter and first half of 2012, as compared to the same periods in 2011, due primarily to the benefit of price increases, as well as manufacturing and delivery efficiencies and other benefits resulting from our continued cost reduction initiatives. Partially offsetting these increases in gross margin were higher delivery rates and material costs in 2012 and increased performance-based compensation.

Consolidated Selling, General & Administrative Expense

	Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	2012	2011	Change	2012	2011	Change
SG&A expense	$167,718	$157,526	6.5 %	$339,549	$318,344	6.7 %
SG&A as a percentage of revenue	45.2 %	45.5 %	(0.3) pts.	45.3 %	45.7 %	(0.4) pts.

The increase in SG&A expense for the second quarter and first half of 2012, as compared to the same periods in 2011, was driven primarily by increased Small Business Services commission expense due to increased volume, incremental operating expenses of the businesses we acquired in 2012 and 2011, higher performance-based compensation expense, and investments in revenue-generating initiatives. These increases were partially offset by various expense reduction initiatives within sales, marketing and our shared services organization, as well as lower acquisition-related amortization related to previous acquisitions.

Net Restructuring Charges

	Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	2012	2011	Change	2012	2011	Change
Net restructuring charges	$1,998	$4,075	$(2,077)	$2,636	$5,502	$(2,866)

We recorded restructuring charges and reversals related to the cost reduction initiatives discussed under Executive Overview. The charges and reversals for each period primarily relate to costs of our restructuring activities such as employee severance benefits and other direct costs of our initiatives, including employee and equipment moves, training and travel. Additional net restructuring reversals of $0.1 million were included within cost of goods sold in our consolidated statement of comprehensive income for the second quarter of 2012. Additional net restructuring charges of $0.5 million in the second quarter of 2011, $1.2 million in the first half of 2012 and $0.6 million in the first half of 2011 were included within cost of goods sold in our consolidated statements of comprehensive income. Further information can be found under Restructuring Costs.

Loss on Early Debt Extinguishment

	Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	2012	2011	Change	2012	2011	Change
Loss on early debt extinguishment	$—	$—	$—	$—	$6,995	$(6,995)

During the first quarter of 2011, we retired $205.5 million of long-term notes, realizing a pre-tax loss of $7.0 million. We may retire additional debt, depending on prevailing market conditions, our liquidity requirements and other potential uses of cash, including acquisitions or share repurchases.

Interest Expense

	Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	2012	2011	Change	2012	2011	Change
Interest expense	$11,356	$12,054	(5.8 %)	$23,053	$24,092	(4.3 %)
Weighted-average debt outstanding	738,347	761,050	(3.0 %)	738,347	752,831	(1.9 %)
	5.77 %	5.83 %	(0.06) pts.	5.77 %	5.60 %	0.17 pts.

Weighted-average interest rate

The decrease in interest expense for the second quarter of 2012, as compared to the second quarter of 2011, was due to our lower average debt level in 2012, as well as our lower average interest rate.

The decrease in interest expense for the first half of 2012, as compared to the first half of 2011, was due to our lower average debt level in 2012, as well as charges of $1.3 million in the first quarter of 2011 related to the retirement of long-term

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notes. The debt retirements required that we accelerate the recognition of a portion of a derivative loss, and we recognized expense related to the settlement of a portion of our interest rate swap agreements. These decreases in interest expense were partially offset by our higher average interest rate in 2012.

Income Tax Provision

	Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	2012	2011	Change	2012	2011	Change
Income tax provision	$20,275	$16,390	23.7 %	$42,563	$32,411	31.3 %
Effective tax rate	32.4 %	31.6 %	0.8 pts.	33.0 %	32.3 %	0.7 pts.

The increase in our effective tax rate for the second quarter of 2012, as compared to the second quarter of 2011, was primarily due to lower research and development credits in 2012 as the law providing for these credits expired at the end of 2011, as well as increased foreign tax expense.

The increase in our effective tax rate for the first half of 2012, as compared to the first half of 2011, was primarily due to a number of minor discrete credits to income tax expense in 2011, including a reduction in the valuation allowance related to foreign operating loss carryforwards, which collectively decreased our tax rate by 1.1 points. Additionally, we had lower research and development credits in 2012 as the law providing for these credits expired at the end of 2011. Discrete credits to income tax expense in 2012 collectively decreased our tax rate by 0.6 points and related primarily to state income taxes.

RESTRUCTURING COSTS

During the first half of 2012, we recorded net restructuring charges of $3.8 million. This amount included expenses related to our restructuring activities, including employee and equipment moves, training and travel, which were expensed as incurred, as well as net restructuring accruals of $2.1 million. The restructuring accruals included charges of $3.0 million related to severance for employee reductions in various functional areas as we continue to reduce costs, including the planned closing of a printing facility in the fourth quarter of 2012, the planned closing of two customer call centers during the third quarter of 2012, and the closing of a printing facility by early 2013. The restructuring accruals included severance benefits for approximately 195 employees. These charges were reduced by the reversal of $0.9 million of restructuring accruals recorded primarily in previous years, as fewer employees received severance benefits than originally estimated. The majority of the employee reductions included in our restructuring accruals are expected to be completed by the end of 2012, and we expect most of the related severance payments to be paid by mid-2013, utilizing cash from operations.

During 2011, we recorded net restructuring charges of $13.7 million. This amount included expenses related to our restructuring activities, including employee and equipment moves, training and travel, which were expensed as incurred, as well as net restructuring accruals of $7.1 million. The restructuring accruals included charges of $8.8 million related to severance for employee reductions across all functional areas as we continue to reduce costs. The restructuring accruals included severance benefits for approximately 400 employees. These charges were reduced by the reversal of $1.7 million of severance accruals, the majority of which were recorded in previous years, as fewer employees received severance benefits than originally estimated.

During 2010, we recorded net restructuring charges of $10.3 million. This amount included expenses related to our restructuring activities, including employee and equipment moves, training and travel, which were expensed as incurred, as well as net restructuring accruals of $7.5 million. The net restructuring accruals included charges of $9.3 million related to severance for employee reductions primarily resulting from reductions in various functional areas as we continued our cost reduction initiatives, as well as actions related to our integration of Custom Direct. The net restructuring accruals included severance benefits for approximately 470 employees. These charges were reduced by the reversal of $2.4 million of severance accruals recorded primarily in previous years, as fewer employees received severance benefits than originally estimated.

As a result of our employee reductions and facility closings, we expect to realize cost savings of approximately $4 million in cost of goods sold and $5 million in SG&A expense in 2012, in comparison to our 2011 results of operations, which represents a portion of the estimated $50 million of total net cost reductions we expect to realize in 2012. Expense reductions consist primarily of labor and facility costs.

Further information regarding our restructuring charges can be found under the caption “Note 8: Restructuring charges” of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

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SEGMENT RESULTS

Additional financial information regarding our business segments appears under the caption “Note 13: Business segment information” of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Small Business Services

This segment's products and services are promoted through direct response mail and internet advertising, referrals from financial institutions and telecommunications clients, Safeguard® distributors, a network of local dealers, a direct sales force which focuses on major accounts, and an outbound telemarketing group. Results for this segment were as follows:

	Quarter Ended June 30,					Six Months Ended June 30,						
(in thousands)	2012		2011		Change		2012		2011		Change	
Revenue	$233,088		$203,156		14.7	%	$462,684		$403,159		14.8	%
Operating income	38,241		34,329		11.4	%	77,015		70,099		9.9	%
Operating margin	16.4	%	16.9	%	(0.5) pts.		16.6	%	17.4	%	(0.8) pts.	

The increase in revenue for the second quarter and first half of 2012, as compared to the same periods in 2011, was due primarily to price increases, incremental revenue from the acquisitions of PsPrint and OrangeSoda of $10.5 million for the second quarter of 2012 and $18.2 million for the first half of 2012, and growth in marketing solutions and other services revenue, our distributor channel and in business check revenue, as well as revenue generated via our relationship with a new large Financial Services financial institution client.

The increase in operating income for the second quarter and first half of 2012, as compared to the same periods in 2011, was due primarily to price increases, growth in marketing solutions and other services revenue and lower amortization related to acquisitions completed in previous years. Partially offsetting these increases in operating income were higher performance-based compensation, increases in delivery rates and material costs in 2012 and investments in revenue-generating initiatives.

Operating margin decreased for the second quarter and first half of 2012, as compared to the same periods in 2011, as the increase in commissions, expenses associated with acquisitions, higher performance-based compensation and investments in revenue-generating initiatives were only partially offset by the benefits of price increases and our cost reduction initiatives.

Financial Services

Financial Services' products and services are sold through multiple channels, including a direct sales force. Results for this segment were as follows:

	Quarter Ended June 30,					Six Months Ended June 30,						
(in thousands)	2012		2011		Change		2012		2011		Change	
Revenue	$85,664		$86,656		(1.1	%)	$176,257		$174,670		0.9	%
Operating income	19,981		13,214		51.2	%	41,902		28,911		44.9	%
Operating margin	23.3	%	15.2	%	8.1 pts.		23.8	%	16.6	%	7.2 pts.	

The decrease in revenue for the second quarter of 2012, as compared to the second quarter of 2011, was due to a decrease in order volume resulting primarily from the continued decline in check usage, as well as continuing competitive pricing pressure on contract renewals. Partially offsetting these revenue decreases were price increases, revenue from a new large financial institution client and growth in marketing solutions and other services.

The increase in revenue for the first half of 2012, as compared to the first half of 2011, was due to price increases, revenue from a new large financial institution client, growth in marketing solutions and other services, and incremental revenue from the Banker's Dashboard® acquisition completed in April 2011. Partially offsetting these revenue increases was a decrease in order volume resulting primarily from the continued decline in check usage, as well as continuing competitive pricing pressure on contract renewals.

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Operating income and operating margin increased for the second quarter and first half of 2012, as compared to the same periods in 2011, primarily due to price increases and the benefit of our various cost reduction initiatives. Additionally, restructuring-related costs decreased $2.1 million for the second quarter of 2012 and $2.6 million for the first half of 2012, as compared to the same periods in 2011. These increases in operating income and operating margin were partially offset by higher performance-based compensation expense, increased delivery rates and material costs in 2012, as well as investments to generate additional revenue.

Direct Checks

Direct Checks sells products and services directly to consumers using direct response marketing via mail and the internet. We use a variety of direct marketing techniques to acquire new customers in the direct-to-consumer channel, including newspaper inserts, in-package advertising, statement stuffers and co-op advertising. We also use e-commerce strategies to direct traffic to our websites. Direct Checks sells under various brand names, including Checks Unlimited®, Designer® Checks, Checks.com, Check Gallery®, The Styles Check Company®, and Artistic Checks®, among others. Results for this segment were as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
(in thousands)	2012	2011	Change	2012	2011	Change
Revenue	$52,262	$56,462	(7.4 %)	$110,055	$118,197	(6.9)%
Operating income	15,354	16,443	(6.6 %)	32,684	32,431	0.8 %
Operating margin	29.4 %	29.1 %	0.3 pts.	29.7 %	27.4 %	2.3 pts.

The decrease in revenue for the second quarter and first half of 2012, as compared to the same periods in 2011, was due to a reduction in orders stemming from the decline in check usage. Partially offsetting this revenue decrease was higher revenue per order, partly due to price increases.

The decrease in operating income for the second quarter of 2012, as compared to the second quarter of 2011, was due primarily to the lower order volume, higher performance-based compensation expense and increased delivery rates and material costs in 2012. These decreases in operating income were partially offset by lower amortization related to the Custom Direct acquisition and benefits from our cost reduction initiatives.

The increase in operating income for the first half of 2012, as compared to the first half of 2011, was due primarily to lower amortization related to the Custom Direct acquisition and benefits from our cost reduction initiatives. These increases in operating income were partially offset by lower order volume, higher performance-based compensation expense, and increased delivery rates and material costs in 2012. Additionally, restructuring-related costs increased $0.7 million as compared to 2011.

Operating margin increased for the second quarter and first half of 2012, as compared to the same periods in 2011, as the lower amortization expense and benefits from our cost reduction initiatives exceeded the impact of higher performance-based compensation and increased delivery rates and material costs in 2012.

CASH FLOWS AND LIQUIDITY

As of June 30, 2012, we held cash and cash equivalents of $45.1 million. The following table shows our cash flow activity for the six months ended June 30, 2012 and 2011, and should be read in conjunction with the consolidated statements of cash flows appearing in Item 1 of this report.

	Six Months Ended June 30,		
(in thousands)	2012	2011	Change

Net cash provided by operating activities	$99,909	$104,182	$(4,273)
Net cash used by investing activities	(45,732)	(55,310)	9,578
Net cash used by financing activities	(37,921)	(49,186)	11,265
Effect of exchange rate change on cash	188	557	(369)
Net change in cash and cash equivalents	$16,444	$243	$16,201

The $4.3 million decrease in cash provided by operating activities for the first half of 2012, as compared to the first

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half of 2011, was due primarily to higher income tax payments, a planned $7.9 million increase in contributions to our trust used to pay for medical benefits, as well as increases in contract acquisition and interest payments. These decreases in cash provided by operating activities were partially offset by increased cash provided by earnings, as well as a $7.8 million decrease in pension contributions and employee profit sharing/cash bonus payments related to our 2011 performance. We discontinued our defined contribution pension plan effective with the 2011 plan year. As such, the contribution made to this plan in early 2011 for the 2010 plan year was our last contribution to this plan.

Included in net cash provided by operating activities were the following operating cash outflows:

	Six Months Ended June 30,		
(in thousands)	2012	2011	Change
Income tax payments	$47,199	$31,722	$15,477
Voluntary employee beneficiary association (VEBA) trust contributions to fund medical benefits	27,855	20,000	7,855
Interest payments	23,112	18,966	4,146
Pension contributions and employee profit sharing/cash bonus payments	19,375	27,165	(7,790)
Contract acquisition payments	10,516	5,615	4,901
Severance payments	4,226	3,505	721

Net cash used by investing activities in the first half of 2012 was $9.6 million lower than the first half of 2011 driven primarily by lower payments for acquisitions in 2012. In 2012, we acquired OrangeSoda and distributor operations for $28.5 million, net of cash acquired. In 2011, we acquired Banker's Dashboard and distributor operations for $36.8 million, net of cash acquired.

Net cash used by financing activities in the first half of 2012 was $11.3 million lower than the first half of 2011 due primarily to $215.0 million of payments on long-term debt in 2011 and lower payments for share repurchases in 2012. Partially offsetting these decreases in cash used were proceeds from issuing long-term debt of $200.0 million in 2011 and net proceeds of $6.0 million from borrowings on our line of credit in 2011.

Significant cash inflows, excluding those related to operating activities, for each period were as follows:

	Six Months Ended June 30,		
(in thousands)	2012	2011	Change
Proceeds from issuing long-term debt	$—	$200,000	$(200,000)
Proceeds from issuing shares under employee plans	2,873	6,514	(3,641)
Net proceeds from short-term debt	—	6,000	(6,000)
Net proceeds from sale of facility	2,613	699	1,914

Significant cash outflows, excluding those related to operating activities, for each period were as follows:

	Six Months Ended June 30,		
(in thousands)	2012	2011	Change
Payments on long-term debt, including costs of debt reacquisition	$—	$215,030	$(215,030)
Payments for acquisitions, net of cash acquired	28,459	36,754	(8,295)
Cash dividends paid to shareholders	25,423	25,663	(240)
Purchases of capital assets	17,334	19,296	(1,962)
Payments for common shares repurchased	11,999	17,986	(5,987)
Payments for debt issue costs	1,163	3,429	(2,266)

We anticipate that net cash provided by operating activities will be between $235 million and $245 million in 2012, compared to $235 million in 2011, driven by higher earnings offset by higher income tax payments and contributions to our trust used to pay medical benefits. We anticipate that cash generated by operating activities in 2012 will be utilized for payments of $84.8 million due in December 2012 when a portion of our long-term notes matures, dividend payments of approximately $50 million, capital expenditures of approximately $35 million, payments for acquisitions already completed in

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2012 of $28.5 million, additional debt reduction if we are able to purchase our long-term notes on the open market, share repurchases, and possibly additional small-to-medium-sized acquisitions. We intend to focus our capital spending on key revenue growth initiatives and investments in order fulfillment and information technology infrastructure.

We had $191.5 million available for borrowing under our credit facility as of June 30, 2012. We believe that cash generated by operating activities, along with our credit facility, will be sufficient to support our operations for the next 12 months, including capital expenditures, possible small-to-medium-sized acquisitions, required debt service and dividend payments.

CAPITAL RESOURCES

Our total debt was $742.1 million as of June 30, 2012, an increase of $0.4 million from December 31, 2011. We have entered into interest rate swaps to hedge against changes in the fair value of our long-term debt due in 2012 and 2014. As of June 30, 2012, interest rate swaps with a notional amount of $282.8 million were designated as fair value hedges. The carrying amount of long-term debt as of June 30, 2012 included a $3.9 million increase related to adjusting the hedged debt for changes in its fair value. As of December 31, 2011, this fair value adjustment was an increase of $3.6 million. Further information concerning the interest rate swaps and our outstanding debt can be found under the captions “Note 6: Derivative financial instruments” and “Note 10: Debt” of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report. Information regarding our debt service obligations can be found under Off-Balance Sheet Arrangements, Guarantees and Contractual Obligations in the 2011 Form 10-K.

Our capital structure for each period was as follows:

	June 30, 2012			December 31, 2011			
(in thousands)	Amount	Weighted-average interest rate		Amount	Weighted-average interest rate		Change
Fixed interest rate	$455,472	6.9	%	$455,466	6.9	%	$6
Floating interest rate	286,671	3.9	%	286,240	3.9	%	431
Total debt	742,143	5.8	%	741,706	5.8	%	437
Shareholders’ equity	358,917			302,689			56,228
Total capital	$1,101,060			$1,044,395			$56,665

We have an outstanding authorization from our board of directors to purchase up to 10 million shares of our common stock. This authorization has no expiration date, and 4.7 million shares remained available for purchase under this authorization as of June 30, 2012. During the first half of 2012, we purchased 0.5 million shares for $12.0 million. Information regarding changes in shareholders' equity can be found in the consolidated statement of shareholders' equity appearing in Item 1 of this report.

We may, from time to time, consider retiring outstanding debt through open market purchases, privately negotiated transactions or by other means. Any such repurchases or exchanges would depend on prevailing market conditions, our liquidity requirements and other potential uses of cash, including acquisitions or share repurchases.

As of December 31, 2011, we had a $200.0 million credit facility, which was scheduled to expire in March 2013. In February 2012, we modified the terms of this credit facility, extending its term to February 2017. Additionally, we lowered the commitment fee to a range of 0.20% to 0.45% based on our leverage ratio. Borrowings under the credit facility are collateralized by substantially all of our personal and intangible property. The credit agreement governing the credit facility contains customary covenants regarding limits on levels of subsidiary indebtedness and capital expenditures, liens, investments, acquisitions, certain mergers, certain asset sales outside the ordinary course of business, and change in control as defined in the agreement. The agreement also contains financial covenants regarding our leverage ratio, interest coverage and liquidity. We were in compliance with all debt covenants as of June 30, 2012 and we expect to remain in compliance with all debt covenants throughout the next 12 months.

Amounts outstanding under our credit facility were as follows:

(in thousands)	Six Months Ended June 30, 2012	Year Ended December 31, 2011
Daily average amount outstanding	$—	$21,655
Weighted-average interest rate	—	3.03 %

No amounts were outstanding under our credit facility as of June 30, 2012 or December 31, 2011. As of June 30, 2012, amounts were available for borrowing under our credit facility as follows:

(in thousands)	Total available
Credit facility commitment	$200,000
Outstanding letters of credit	(8,535)
Net available for borrowing as of June 30, 2012	$191,465

OTHER FINANCIAL POSITION INFORMATION

Contract acquisition costs – Other non-current assets include contract acquisition costs of our Financial Services segment. These costs, which are essentially pre-paid product discounts, are recorded as non-current assets upon contract execution and are amortized, generally on the straight-line basis, as reductions of revenue over the related contract term. Cash payments made for contract acquisition costs were $10.5 million for the first half of 2012 and $5.6 million for the first half of 2011. We anticipate cash payments of approximately $20 million in 2012. Changes in contract acquisition costs during the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30,	
(in thousands)	2012	2011
Balance, beginning of year	$55,076	$57,476
Additions	2,668	1,770
Amortization	(8,546)	(8,665)
Other	(292)	(170)
Balance, end of period	$48,906	$50,411

The number of checks being written has been in decline since the mid-1990s, which has contributed to increased competitive pressure when attempting to retain or acquire clients. Both the number of financial institution clients requesting contract acquisition payments and the amount of the payments has fluctuated significantly from year to year. Although we anticipate that we will selectively continue to make contract acquisition payments, we cannot quantify future amounts with certainty. The amount paid depends on numerous factors such as the number and timing of contract executions and renewals, competitors' actions, overall product discount levels and the structure of up-front product discount payments versus providing higher discount levels throughout the term of the contract.

Liabilities for contract acquisition payments are recorded upon contract execution. These obligations are monitored for each contract and are adjusted as payments are made. Contract acquisition payments due within the next year are included in accrued liabilities in our consolidated balance sheets. These accruals were $5.2 million as of June 30, 2012 and $13.1 million as of December 31, 2011. Accruals for contract acquisition payments included in other non-current liabilities in our consolidated balance sheets were $7.3 million as of June 30, 2012 and $7.5 million as of December 31, 2011.

Foreign cash and investments - As of June 30, 2012, our subsidiaries located in Canada held cash and marketable securities of $21.7 million. Deferred income taxes have not been recognized on unremitted earnings of our foreign subsidiaries, as these amounts are intended to be reinvested indefinitely in the operations of those subsidiaries. If we were to repatriate the cash and marketable securities into the U.S., we would incur a U.S. tax liability of approximately $4 million.

OFF-BALANCE SHEET ARRANGEMENTS, GUARANTEES AND CONTRACTUAL OBLIGATIONS

It is not our general business practice to enter into off-balance sheet arrangements or to guarantee the performance of third parties. In the normal course of business we periodically enter into agreements that incorporate general indemnification language. These indemnifications encompass third-party claims arising from our products and services, including service failures, breach of security, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks, including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we have no reason to believe that any likely liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or annual cash flows. We have recorded liabilities for known indemnifications related to environmental matters. Further information can be found under the caption “Note 11: Other commitments and contingencies” of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in the Item 1 of this report.

We are not engaged in any transactions, arrangements or other relationships with unconsolidated entities or other third parties that are reasonably likely to have a material effect on our liquidity or on our access to, or requirements for, capital resources. In addition, we have not established any special purpose entities.

A table of our contractual obligations was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the 2011 Form 10-K. There were no significant changes in these obligations during the first half of 2012.

RELATED PARTY TRANSACTIONS

We have not entered into any material related party transactions during the first half of 2012 or during 2011.

CRITICAL ACCOUNTING POLICIES

A description of our critical accounting policies was provided in the Management’s Discussion and Analysis of Financial Condition and Results of Operations section of the 2011 Form 10-K. There were no changes in these policies during the first half of 2012.

NEW ACCOUNTING PRONOUNCEMENTS

Information regarding the accounting policies adopted during the first half of 2012 can be found under the caption “Note 2: New accounting pronouncements” of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information. We are filing this cautionary statement in connection with the Reform Act. When we use the words or phrases “should result,” “believe,” “intend,” “plan,” “are expected to,” “targeted,” “will continue,” “will approximate,” “is anticipated,” “estimate,” “project” or similar expressions in this Quarte Report on Form 10-Q, in future filings with the Securities and Exchange Commission, in our press releases and in oral statements made by our representatives, they indicate forward-looking statements within the meaning of the Reform Act.

We want to caution you that any forward-looking statements made by us or on our behalf are subject to uncertainties and other factors that could cause them to be incorrect. Known material risks are discussed in Item 1A of the 2011 Form 10-K and are incorporated into this Item 2 of this report on Form 10-Q as if fully stated herein. Although we have attempted to compile a comprehensive list of these important factors, we want to caution you that other factors may prove to be important in affecting future operating results. New factors emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact each factor or combination of factors may have on our business.

You are further cautioned not to place undue reliance on those forward-looking statements because they speak only of our views as of the date the statements were made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to changes in interest rates primarily as a result of the borrowing activities used to support our capital structure, maintain liquidity and fund business operations. We do not enter into financial instruments for speculative or trading purposes. The nature and amount of debt outstanding can be expected to vary as a result of future business requirements, market conditions and other factors. As of June 30, 2012, our total debt was comprised of the following:

(in thousands)	Carrying amount	Fair value[1]	Weighted-average interest rate	
Long-term notes maturing December 2012, including increase of $474 related to the cumulative change in fair value of hedged debt	$85,296	$85,934	3.3	%
Long-term notes maturing October 2014, including increase of $3,475 related to the cumulative change in fair value of hedged debt	256,847	256,035	4.3	%
Long-term notes maturing June 2015	200,000	211,000	7.4	%
Long-term notes maturing March 2019	200,000	212,000	7.0	%
Total debt	$742,143	$764,969	5.8	%

(1) Fair value is based on quoted market prices as of June 30, 2012 for identical liabilities when traded as assets.

We may, from time to time, retire outstanding debt through open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges would depend on prevailing market conditions, our liquidity requirements and other potential uses of cash, including acquisitions or share repurchases.

We have entered into interest rate swaps to hedge against changes in the fair value of our long-term debt due in 2012 and 2014. As of June 30, 2012, interest rate swaps with a notional amount of $282.8 million were designated as fair value hedges. The carrying amount of long-term debt as of June 30, 2012 included a $3.9 million increase related to adjusting the hedged debt for changes in its fair value. Changes in the fair value of the interest rate swaps and the related long-term debt are included in interest expense in the consolidated statements of comprehensive income. When the change in the fair value of the interest rate swaps and the hedged debt are not equal (i.e., hedge ineffectiveness), the difference in the changes in fair value affects the reported amount of interest expense in our consolidated statements of comprehensive income. Information regarding hedge ineffectiveness can be found under the caption "Note 7: Fair value measurements" of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Item 1 of this report.

Based on the outstanding variable rate debt in our portfolio, a one percentage point change in interest rates would have resulted in a $1.4 million change in interest expense for the first half of 2012, excluding any hedge ineffectiveness related to our interest rate swaps.

We are exposed to changes in foreign currency exchange rates. Investments in, loans and advances to foreign subsidiaries and branches, as well as the operations of these businesses, are denominated in foreign currencies, primarily the Canadian dollar. The effect of exchange rate changes is expected to have a minimal impact on our results of operations and cash flows, as our foreign operations represent a relatively small portion of our business.

See Business Challenges/Market Risks in Item 2 of this report for further discussion of market risks.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures — As of the end of the period covered by this report (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "1934 Act")). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Internal Control Over Financial Reporting —There were no changes in our internal control over financial reporting identified in connection with our evaluation during the quarter ended June 30, 2012, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II–OTHER INFORMATION

Item 1. Legal Proceedings.

We record provisions with respect to identified claims or lawsuits when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Claims and lawsuits are reviewed quarterly and provisions are taken or adjusted to reflect the status of a particular matter. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable outcomes. Recorded liabilities were not material to our financial position, results of operations or liquidity, and we do not believe that any of the currently identified claims or litigation, either individually or in the aggregate, will materially affect our financial position, results of operations or liquidity.

Item 1A. Risk Factors.

Our risk factors are outlined in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 (the "2011 Form 10-K"). There have been no significant changes to these risk factors since we filed the 2011 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table shows purchases of our own equity securities, based on trade date, which we completed during the second quarter of 2012.

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
	—	$—	—	5,257,017

April 1, 2012 - April 30, 2012				
May 1, 2012 - May 31, 2012	508,671	23.59	508,671	4,748,346
June 1, 2012 - June 30, 2012	—	—	—	4,748,346
Total	508,671	$23.59	508,671	4,748,346

In August 2003, our board of directors approved an authorization to purchase up to 10 million shares of our common stock. This authorization has no expiration date and 4.7 million shares remained available for purchase under this authorization as of June 30, 2012.

While not considered repurchases of shares, we do at times withhold shares that would otherwise be issued under equity-based awards to cover the withholding taxes due as a result of the exercising or vesting of such awards. During the second quarter of 2012, we withheld 2,020 shares in conjunction with the vesting and exercise of equity-based awards.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Method of Filing
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)	*
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the Commission on October 23, 2008)	*
4.1	Amended and Restated Rights Agreement, dated as of December 20, 2006, by and between us and Wells Fargo Bank, National Association, as Rights Agent, which includes as Exhibit A thereto, the Form of Rights Certificate (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the Commission on December 21, 2006)	*
4.2	First Supplemental Indenture dated as of December 4, 2002, by and between us and Wells Fargo Bank Minnesota, N.A. (formerly Norwest Bank Minnesota, National Association), as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the Commission on December 5, 2002)	*
4.3	Second Supplemental Indenture, dated as of March 11, 2011, between us and Wells Fargo Bank Minnesota, N.A. (formerly Norwest Bank Minnesota, National Association), as trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed with the Commission on March 15, 2011)	*
4.4	Indenture, dated as of April 30, 2003, by and between us and Wells Fargo Bank Minnesota, N.A. (formerly Norwest Bank Minnesota, National Association), as trustee (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-3 (Registration No. 333-104858) filed with the Commission on April 30, 2003)	*

4.5	Form of Officer's Certificate and Company Order authorizing the 2014 Notes, series B (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-4 (Registration No. 333-120381) filed with the Commission on November 12, 2004)	*
4.6	Specimen of 5 1/8% notes due 2014, series B (incorporated by reference to Exhibit 4.10 to the Registration Statement on Form S-4 (Registration No. 333-120381) filed with the Commission on November 12, 2004)	*
4.7	Indenture, dated as of May 14, 2007, by and between us and The Bank of New York Trust Company, N.A., as trustee (including form of 7.375% Senior Notes due 2015) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the Commission on May 15, 2007)	*

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Exhibit Number	Description	Method of Filing
4.8	Supplemental Indenture, dated as of March 12, 2010, among us, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (incorporated by reference to Exhibit 4.9 to the Annual Report on Form 10-K for the year ended December 31, 2010)	*
4.9	Supplemental Indenture, dated as of September 9, 2010, among us, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee (incorporated by reference to Exhibit 4.10 to the Annual Report on Form 10-K for the year ended December 31, 2010)	*
4.10	Indenture, dated as of March 15, 2011, by and among us, the guarantors listed on the signature pages thereto and U.S. Bank National Association, as trustee (including form of 7.00% Senior Notes due 2019) (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the Commission on March 15, 2011)	*
4.11	Supplemental Indenture, dated as of July 30, 2012, among us, OrangeSoda, Inc., the guarantors listed on the signature pages thereto and U.S. Bank National Association, as trustee	Filed herewith
4.12	Supplemental Indenture, dated as of July 30, 2012, among us, OrangeSoda, Inc., the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A. (formerly The Bank of New York Trust Company, N.A.), as trustee	Filed herewith
10.1	Deluxe Corporation 2012 Annual Incentive Plan (incorporated by reference to Appendix A of our definitive proxy statement filed with the Commission on March 12, 2012)	*
10.2	Deluxe Corporation 2012 Long-Term Incentive Plan (incorporated by reference to Appendix B of our definitive proxy statement filed with the Commission on March 12, 2012)	*
12.1	Statement re: Computation of Ratios	Filed herewith
31.1	CEO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	CFO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith

32.1	CEO and CFO Certification of Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, (ii) Consolidated Statements of Comprehensive Income for the quarters and six months ended June 30, 2012 and 2011, (iii) Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2012, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011, and (v) Condensed Notes to Unaudited Consolidated Financial Statements**	Filed herewith

* Incorporated by reference
** Submitted electronically with this report

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SIGNATURES

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

	DELUXE CORPORATION (Registrant)
Date: August 3, 2012	/s/ Lee Schram Lee Schram Chief Executive Officer (Principal Executive Officer)
Date: August 3, 2012	/s/ Terry D. Peterson Terry D. Peterson Senior Vice President, Chief Financial Officer (Principal Financial Officer)
Date: August 3, 2012	/s/ Jeffrey J. Bata Jeffrey J. Bata Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description
4.11	Supplemental Indenture, dated as of July 30, 2012, among us, OrangeSoda, Inc., the guarantors listed on the signature pages thereto and U.S. Bank National Association, as trustee
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