DELUXE CORP
Form 10-Q
August 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2012
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ________________________ to ________________________

Commission file number: 1-7945

DELUXE CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	41-0216800 (I.R.S. Employer Identification No.)
3680 Victoria St. N., Shoreview, Minnesota (Address of principal executive offices)	55126-2966 (Zip Code)

(651) 483-7111
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þYes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).
þYes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes þ No

The number of shares outstanding of registrant's common stock, par value $1.00 per share, at July 24, 2012 was 50,555,181.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.
DELUXE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share par value)
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$45,131	$28,687
Trade accounts receivable (net of allowances for uncollectible accounts of $3,601 and $4,007, respectively)	69,283	69,023
Inventories and supplies	23,813	22,043
Deferred income taxes	6,809	7,216
Funds held for customers	42,000	44,394
Other current assets	34,047	21,212
Total current assets	221,083	192,575
Long-Term Investments (including $2,035 and $2,165 of investments at fair value, respectively)	46,126	45,147
Property, Plant And Equipment (net of accumulated depreciation of $358,941 and $352,842, respectively)	108,223	113,411
Assets Held For Sale	—	2,741
Intangibles (net of accumulated amortization of $451,472 and $433,335, respectively)	161,491	157,339
Goodwill	789,742	776,998
Other Non-Current Assets	95,529	100,598
Total Assets	$1,422,194	$1,388,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$60,705	$64,694
Accrued liabilities	142,984	150,098
Long-term debt due within one year	85,296	85,575
Total current liabilities	288,985	300,367
Long-Term Debt	656,847	656,131
Deferred Income Taxes	54,265	49,807
Other Non-Current Liabilities	63,180	79,815
Commitments And Contingencies (Notes 10 and 11)		
Shareholders' Equity:		
Common shares $1 par value (authorized: 500,000 shares; outstanding: 2012 – 50,541; 2011 – 50,826)	50,541	50,826
Additional paid-in capital	49,981	55,838
Retained earnings	316,344	255,426
Accumulated other comprehensive loss	(57,949)	(59,401)
Total shareholders' equity	358,917	302,689
Total Liabilities And Shareholders' Equity	$1,422,194	$1,388,809

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	$371,014	$346,274	$748,996	$696,026
Cost of goods sold, including net restructuring charges	(127,594)	(120,687)	(255,082)	(240,849)
Gross Profit	243,420	225,587	493,914	455,177
Selling, general and administrative expense	(167,718)	(157,526)	(339,549)	(318,344)
Net restructuring charges	(1,998)	(4,075)	(2,636)	(5,502)
Net (loss) gain on sale of facility	(128)	—	(128)	110
Operating Income	73,576	63,986	151,601	131,441
Loss on early debt extinguishment	—	—	—	(6,995)
Interest expense	(11,356)	(12,054)	(23,053)	(24,092)
Other income (expense)	317	(69)	356	86
Income Before Income Taxes	62,537	51,863	128,904	100,440
Income tax provision	(20,275)	(16,390)	(42,563)	(32,411)
Net Income	$42,262	$35,473	$86,341	$68,029
Comprehensive Income	$42,183	$36,365	$87,793	$70,480
Basic Earnings Per Share	$0.83	$0.69	$1.69	$1.32
Diluted Earnings Per Share	0.82	0.68	1.68	1.31
Cash Dividends Per Share	$0.25	$0.25	$0.50	$0.50

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common shares par value(1)	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2011	$50,826	$55,838	$255,426	$(59,401)	$302,689
Net income	—	—	86,341	—	86,341
Cash dividends	—	—	(25,423)	—	(25,423)
Common shares issued	249	3,015	—	—	3,264
Tax impact of share-based awards	—	170	—	—	170
Common shares repurchased	(509)	(11,490)	—	—	(11,999)
Other common shares retired	(25)	(595)	—	—	(620)
Fair value of share-based compensation	—	3,043	—	—	3,043
Other comprehensive income (Note 12)	—	—	—	1,452	1,452
Balance, June 30, 2012	$50,541	$49,981	$316,344	$(57,949)	$358,917

(1) As the par value of our common shares is $1.00 per share, the number of shares associated with the transactions presented here is equivalent to the related par value. See Note 12 for share information.

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash Flows From Operating Activities:		
Net income	$86,341	$68,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,130	10,584
Amortization of intangibles	23,304	28,099
Amortization of contract acquisition costs	8,546	8,665
Deferred income taxes	4,110	2,345
Employee share-based compensation expense	3,404	3,127
Loss on early debt extinguishment	—	6,995
Other non-cash items, net	4,885	6,389
Changes in assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	(28)	(304)
Inventories and supplies	(2,580)	(144)
Other current assets	(6,257)	(4,565)
Non-current assets	1,295	3,116
Accounts payable	(2,948)	1,566
Contract acquisition payments	(10,516)	(5,615)
Other accrued and non-current liabilities	(19,777)	(24,105)
Net cash provided by operating activities	99,909	104,182
Cash Flows From Investing Activities:		
Purchases of capital assets	(17,334)	(19,296)
Payments for acquisitions, net of cash acquired	(28,459)	(36,754)
Loans to distributors	(3,150)	—
Other	3,211	740
Net cash used by investing activities	(45,732)	(55,310)
Cash Flows From Financing Activities:		
Net proceeds from short-term debt	—	6,000
Payments on long-term debt, including costs of debt reacquisition	—	(215,030)
Proceeds from issuing long-term debt	—	200,000
Payments for debt issue costs	(1,163)	(3,429)
Change in book overdrafts	(2,652)	(905)
Proceeds from issuing shares under employee plans	2,873	6,514
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

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

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

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

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

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		