

Wright Express CORP  
Form 10-Q/A  
January 31, 2008

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
Amendment No. 1**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2007**

**OR**

**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 001-32426**

**WRIGHT EXPRESS CORPORATION**

(Exact name of Registrant as specified in its charter)

Delaware

01-0526993

(State or other jurisdiction of incorporation)

(I.R.S Employer Identification No.)

97 Darling Avenue  
South Portland, ME 04106

(Address of principal executive office)  
(207) 773-8171

(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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See

definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Edgar Filing: Wright Express CORP - Form 10-Q/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

There were 39,980,405 shares of common stock \$0.01 par value outstanding as of August 1, 2007.

---

**Table of Contents**

**Explanatory Note**

This Amendment No. 1 on Form 10-Q/A is filed by Wright Express Corporation (the Company) to amend the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2007, originally filed with the Securities and Exchange Commission (SEC) on August 7, 2007 (the Original Filing). The Company has concluded that adjustments to its financial statements are necessary to incorporate a change in the State of Maine tax law enacted on June 7, 2007, but not identified as relevant until analyzed during the Company's year-end closing process. In accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, the Company has determined that a change in tax law shall be reflected in the period that includes the enactment date. The effect of correcting this error has been disclosed in Note 1 to the accompanying Condensed Consolidated Financial Statements.

This Amendment No. 1 on Form 10-Q/A amends the following Items:

Item 1 (Financial Statements) to reflect changes to the Condensed Consolidated Financial Statements and related notes.

Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) to reflect changes to Results of Operations and Liquidity, Capital Resources and Cash Flows.

Item 4 (Controls and Procedures) to reflect management's updated evaluation of disclosure controls and procedures and internal control over financial reporting.

No other significant changes have been made to the Original Filing except:  
the items previously listed; and

the renumbering of certain pages and notes of this report.

This amendment is not intended to update other information presented in the Original Filing. As a result of this amendment, the certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, filed as exhibits to the Original Filing, have been re-executed and re-filed as of the date of this Form 10-Q/A.

**WRIGHT EXPRESS CORPORATION  
FORM 10-Q/A  
TABLE OF CONTENTS**

	<b>Page Number</b>
<b><u>PART I: FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u> <u>Financial Statements.</u>	4
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	18
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures about Market Risk.</u>	29
<u>Item 4.</u> <u>Controls and Procedures.</u>	30
<b><u>PART II: OTHER INFORMATION</u></b>	
<u>Item 1.</u> <u>Legal Proceedings.</u>	32
<u>Item 1A.</u> <u>Risk Factors.</u>	32
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	33
<u>Item 3.</u> <u>Defaults Upon Senior Securities.</u>	33
<u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders.</u>	33
<u>Item 5.</u> <u>Other Information.</u>	34
<u>Item 6.</u> <u>Exhibits.</u>	34
	<b><u>SIGNATURE</u></b>
<u>EX-31.1 Section 302 Certification of CEO</u>	35
<u>EX-31.2 Section 302 Certification of CFO</u>	
<u>EX-32.1 Section 906 Certification of CEO</u>	
<u>EX-32.2 Section 906 Certification of CFO</u>	

**Table of Contents****PART I: FINANCIAL INFORMATION****Item 1. Financial Statements.**

**WRIGHT EXPRESS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

	(As restated, see Note 1) June 30, 2007 (unaudited)	December 31, 2006
<b>Assets</b>		
Cash and cash equivalents	\$ 32,937	\$ 35,060
Accounts receivable (less reserve for credit losses of \$9,453 in 2007 and \$9,749 in 2006)	1,134,266	802,165
Available-for-sale securities	7,443	8,023
Property, equipment and capitalized software, net	44,823	39,970
Deferred income taxes, net	284,720	377,276
Intangible assets	2,421	2,421
Goodwill	272,861	272,861
Other assets	18,408	13,239
Total assets	\$ 1,797,879	\$ 1,551,015
<b>Liabilities and Stockholders Equity</b>		
Accounts payable	\$ 433,184	\$ 297,102
Accrued expenses	21,831	26,065
Income taxes payable		813
Deposits	599,751	394,699
Borrowed federal funds	25,350	65,396
Revolving line-of-credit facilities	164,600	20,000
Term loan, net		129,760
Derivative instruments, at fair value	19,106	4,524
Other liabilities	4,350	1,170
Amounts due to Avis under tax receivable agreement	328,411	418,359
Preferred stock; 10,000 shares authorized: Series A non-voting convertible, redeemable preferred stock; 0.1 shares issued and outstanding	10,000	10,000
Total liabilities	1,606,583	1,367,888
Commitments and contingencies (Note 8)		
<b>Stockholders Equity</b>		

Edgar Filing: Wright Express CORP - Form 10-Q/A

Common stock \$0.01 par value; 175,000 shares authorized, 40,668 in 2007 and 40,430 in 2006 issued	<b>407</b>	404
Additional paid-in capital	<b>93,764</b>	89,325
Retained earnings	<b>117,953</b>	93,262
Other comprehensive income, net of tax:		
Net unrealized loss on available-for-sale securities	<b>(185)</b>	(98)
Net unrealized gain on interest rate swaps		234
Accumulated other comprehensive income	<b>(185)</b>	136
Less treasury stock at cost, 699 shares in 2007 and no shares in 2006	<b>(20,643)</b>	
Total stockholders' equity	<b>191,296</b>	183,127
Total liabilities and stockholders' equity	<b>\$ 1,797,879</b>	\$ 1,551,015

*See notes to condensed consolidated financial statements.*

Page 4 of 36

Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND**  
**COMPREHENSIVE INCOME**  
(in thousands, except per share data)  
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	(As restated, see Note 1) 2007		(As restated, see Note 1) 2007	
		2006		2006
<b>Revenues</b>				
Payment processing revenue	\$ 66,973	\$ 57,693	\$ 121,167	\$ 104,649
Transaction processing revenue	3,652	4,343	7,127	8,553
Account servicing revenue	6,328	5,926	12,508	11,841
Finance fees	6,566	5,243	12,132	10,481
Other	2,454	2,959	4,861	5,278
Total revenues	<b>85,973</b>	76,164	<b>157,795</b>	140,802
<b>Expenses</b>				
Salary and other personnel	15,699	15,196	31,828	29,550
Service fees	3,440	3,377	7,111	6,417
Provision for credit losses	3,043	2,302	9,306	6,220
Technology leasing and support	2,262	1,934	4,602	3,797
Occupancy and equipment	1,502	1,703	3,096	3,295
Depreciation and amortization	3,338	2,692	6,640	5,206
Operating interest expense	8,946	6,042	15,867	10,649
Other	5,096	4,406	9,795	8,249
Total operating expenses	<b>43,326</b>	37,652	<b>88,245</b>	73,383
Operating income	<b>42,647</b>	38,512	<b>69,550</b>	67,419
Financing interest expense	(3,001)	(3,666)	(6,131)	(7,394)
Loss on extinguishment of debt	(1,572)		(1,572)	
Net realized and unrealized losses on derivative instruments	(9,639)	(20,509)	(20,329)	(27,987)
Decrease in amount due to Avis under tax receivable agreement	78,904		78,904	



Edgar Filing: Wright Express CORP - Form 10-Q/A

Income before income taxes	<b>107,339</b>	14,337	<b>120,422</b>	32,038
Provision for income taxes	<b>90,985</b>	4,481	<b>95,731</b>	10,832
<b>Net income</b>	<b>16,354</b>	9,856	<b>24,691</b>	21,206
Change in net unrealized loss on available-for-sale securities, net of tax effect of \$(53) and \$(48) in 2007 and \$(21) and \$(62) in 2006	<b>(95)</b>	(55)	<b>(87)</b>	(118)
Change in net unrealized gain on interest rate swaps, net of tax effect of \$(42) and \$(162) in 2007 and \$(49) and \$37 in 2006	<b>(61)</b>	(20)	<b>(234)</b>	48
<b>Comprehensive income</b>	<b>\$ 16,198</b>	\$ 9,781	<b>\$ 24,370</b>	\$ 21,136
<b>Earnings per share:</b>				
Basic	<b>\$ 0.41</b>	\$ 0.24	<b>\$ 0.61</b>	\$ 0.53
Diluted	<b>\$ 0.40</b>	\$ 0.24	<b>\$ 0.60</b>	\$ 0.52
<b>Weighted average common shares outstanding:</b>				
Basic	<b>39,995</b>	40,331	<b>40,170</b>	40,288
Diluted	<b>41,084</b>	41,086	<b>40,853</b>	41,035

*See notes to condensed consolidated financial statements.*

Page 5 of 36

**Table of Contents**

**WRIGHT EXPRESS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Six months ended June 30,	
	(As restated, see Note 1)	
	2007	2006
<b>Cash flows from operating activities</b>		
Net income	\$ 24,691	\$ 21,206
Adjustments to reconcile net income to net cash used for operating activities:		
Change in net unrealized loss on derivative instruments	14,582	8,888
Stock-based compensation	2,146	1,553
Depreciation and amortization	7,223	5,766
Loss on extinguishment of debt	1,572	
Deferred taxes	92,766	6,365
Provision for credit losses	9,306	6,220
Loss on disposal and impairment of property and equipment		5
Changes in operating assets and liabilities:		
Accounts receivable	(341,407)	(244,945)
Other assets	(1,995)	1,744
Accounts payable	136,082	141,746
Accrued expenses	(4,305)	(2,476)
Income taxes	(4,300)	
Other liabilities	308	832
Amounts due to Avis	(89,948)	(9,479)
Net cash used for operating activities	(153,279)	(62,575)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(8,621)	(6,216)
Purchases of available-for-sale securities	(70)	(66)
Maturities of available-for-sale securities	515	14,777
Net cash (used for) provided by investing activities	(8,176)	8,495
<b>Cash flows from financing activities</b>		
Excess tax benefits from equity instrument share-based payment arrangements	1,279	251
Payments in lieu of issuing shares of common stock	(1,152)	(682)
Proceeds from stock option exercises	2,240	1,229
Net increase in deposits	205,052	76,065

Edgar Filing: Wright Express CORP - Form 10-Q/A

Net decrease in borrowed federal funds	<b>(40,046)</b>	(29,677)
Net borrowings on 2007 revolving line-of-credit facility	<b>164,600</b>	
Loan origination fees paid for 2007 revolving line-of-credit facility	<b>(998)</b>	
Net repayments on 2005 revolving line-of-credit facility	<b>(20,000)</b>	(5,000)
Repayments on term loan	<b>(131,000)</b>	(16,500)
Purchase of shares of treasury stock	<b>(20,643)</b>	
Net cash provided by financing activities	<b>159,332</b>	25,686
Net change in cash and cash equivalents	<b>(2,123)</b>	(28,394)
Cash and cash equivalents, beginning of period	<b>35,060</b>	44,994
Cash and cash equivalents, end of period	<b>\$ 32,937</b>	\$ 16,600
<b>Supplemental cash flow information:</b>		
Interest paid	<b>\$ 20,309</b>	\$ 17,362
Income taxes paid	<b>\$ 5,871</b>	\$ 925
Significant non-cash transactions:		
Capitalized software licensing agreement	<b>\$ 2,872</b>	\$

*See notes to condensed consolidated financial statements.*

Page 6 of 36

---

**Table of Contents**

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands, except per share data)**  
**(unaudited)**

**1. Nature of Business and Basis of Presentation**

Wright Express Corporation ( we, our, us, the Company or Wright Express ) is a leading provider of payment processing and information management services to the vehicle fleet industry. We utilize our wholly owned bank subsidiary, Wright Express Financial Services Corporation ( FSC ), a Utah-chartered industrial bank that is regulated, supervised and regularly examined by the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation ( FDIC ) to facilitate and manage transactions for vehicle fleets through our proprietary closed network of major oil companies, fuel retailers and vehicle maintenance providers.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the SEC on February 28, 2007.

In the opinion of our management, the accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and reflect all adjustments of a normal recurring nature considered necessary to present fairly results of the interim periods presented. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. All adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any future interim period.

On July 13, 2006, the FASB issued Interpretation No. ( FIN ) 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 109, *Accounting for Income Taxes*, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 percent likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We adopted the provisions of FIN 48 on January 1, 2007. We did not recognize any material liability for unrecognized tax benefits in conjunction with our FIN 48 implementation. However, as we accrue for such liabilities when they arise, we will recognize interest and penalties associated with uncertain tax positions as part of our income tax provision.

**Table of Contents**

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(in thousands, except per share data)**  
**(unaudited)**

*Restatement*

Subsequent to the end of the second quarter, the Company has concluded that adjustments to its financial statements are necessary to incorporate a change in the State of Maine tax law enacted on June 7, 2007. In accordance with SFAS No. 109, *Accounting for Income Taxes*, the Company has determined that a change in tax law should have been reflected in the period that includes the enactment date. The impact of the change in the State of Maine tax law is discussed further in Note 6, *Income Taxes*. The liability to our former shareholder, Avis Budget Group, Inc. ( *Avis* ), formerly Cendant Corporation ( *Cendant* ), has been adjusted as required under the terms of the Tax Receivable Agreement discussed in further detail in Note 7, *Tax Receivable Agreement*. An adjustment has also been made to additional paid-in capital to reverse excess state tax benefits from stock option exercises that had not yet been realized.

The adjustments to the Company's previously issued financial statements as of June 30, 2007, and for the three and six months then ended are presented below:

**Condensed Consolidated Balance Sheets**

	As originally Reported	Adjustment	As restated June 30, 2007
<b>Assets</b>			
Deferred income taxes, net	\$ 365,956	\$(81,236)	<b>\$ 284,720</b>
Other assets	\$ 18,385	\$ 23	<b>\$ 18,408</b>
Total assets	\$1,879,092	\$(81,213)	<b>\$1,797,879</b>
<b>Liabilities and Stockholders' Equity</b>			
Amounts due to Avis under tax receivable agreement	\$ 407,315	\$(78,904)	<b>\$ 328,411</b>
Total liabilities	\$1,685,487	\$(78,904)	<b>\$1,606,583</b>
<b>Stockholders' Equity</b>			
Additional paid-in capital	\$ 94,098	\$ (334)	<b>\$ 93,764</b>
Retained earnings	\$ 119,928	\$ (1,975)	<b>\$ 117,953</b>
Total stockholders' equity	\$ 193,605	\$ (2,309)	<b>\$ 191,296</b>
Total liabilities and stockholders' equity	\$1,879,092	\$(81,213)	<b>\$1,797,879</b>

Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(in thousands, except per share data)  
(unaudited)

**Condensed Consolidated Statements of Income and Comprehensive Income**

	<b>Three months ended June 30, 2007</b>			<b>Six months ended June 30, 2007</b>		
	As originally reported	Adjustment	<b>As restated</b>	As originally reported	Adjustment	<b>As restated</b>
Decrease in amount due to Avis under tax receivable agreement	\$	\$78,904	<b>\$ 78,904</b>	\$	\$78,904	<b>\$ 78,904</b>
Income before income taxes	\$28,435	\$78,904	<b>\$107,339</b>	\$41,518	\$78,904	<b>\$120,422</b>
Provision for income taxes	\$10,106	\$80,879	<b>\$ 90,985</b>	\$14,852	\$80,879	<b>\$ 95,731</b>
<b>Net income</b>	<b>\$18,329</b>	<b>\$ (1,975)</b>	<b>\$ 16,354</b>	<b>\$26,666</b>	<b>\$ (1,975)</b>	<b>\$ 24,691</b>
<b>Comprehensive income</b>	<b>\$18,173</b>	<b>\$ (1,975)</b>	<b>\$ 16,198</b>	<b>\$26,345</b>	<b>\$ (1,975)</b>	<b>\$ 24,370</b>
<b>Earnings per share:</b>						
Basic	\$ 0.46	\$ (0.05)	<b>\$ 0.41</b>	\$ 0.66	\$ (0.05)	<b>\$ 0.61</b>
Diluted	\$ 0.45	\$ (0.05)	<b>\$ 0.40</b>	\$ 0.65	\$ (0.05)	<b>\$ 0.60</b>

**Condensed Consolidated Statements of Cash Flows**

	<b>Six months ended June 30, 2007</b>		
	As originally reported	Adjustment	<b>As restated</b>
<b>Cash flows from operating activities</b>			
Net income	\$ 26,666	\$ (1,975)	<b>\$ 24,691</b>
Deferred taxes	\$ 11,530	\$ 81,236	<b>\$ 92,766</b>
Changes in operating assets and liabilities:			
Income taxes	\$ (4,277)	\$ (23)	<b>\$ (4,300)</b>
Amounts due to Avis	\$ (11,044)	\$(78,904)	<b>\$ (89,948)</b>
Net cash used for operating activities	\$(153,613)	\$ 334	<b>\$(153,279)</b>
<b>Cash flows from financing activities</b>			
Excess tax benefits from equity instrument share-based payment arrangements	\$ 1,613	\$ (334)	<b>\$ 1,279</b>
Net cash provided by financing activities	\$ 159,666	\$ (334)	<b>\$ 159,332</b>



Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(in thousands, except per share data)  
(unaudited)

**2. Goodwill and Other Intangible Assets**

Goodwill and other intangible assets are allocated to our operating segments as follows:

	<b>June 30, 2007</b>	December 31, 2006
<b>Unamortized Intangible Assets</b>		
Goodwill		
Fleet	<b>\$ 263,148</b>	\$ 263,148
MasterCard	<b>9,713</b>	9,713
Total	<b>\$ 272,861</b>	\$ 272,861
Trademark		
Fleet	<b>\$ 2,339</b>	\$ 2,339
MasterCard	<b>82</b>	82
Total	<b>\$ 2,421</b>	\$ 2,421

At June 30, 2007, and December 31, 2006, we had no amortizable intangible assets.

**3. Deposits and Borrowed Federal Funds**

The following table presents information about deposits:

	<b>June 30, 2007</b>	December 31, 2006
Certificates of deposits with maturities within 1 year	<b>\$ 532,049</b>	\$ 294,313
Certificates of deposits with maturities greater than 1 year and less than 5 years	<b>62,121</b>	95,340
Non-interest bearing deposits	<b>5,581</b>	5,046
Total	<b>\$ 599,751</b>	\$ 394,699



Weighted average cost of funds on certificates of deposit **5.28%** 5.24%

The following table presents the average interest rates for deposits and borrowed federal funds:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
Average interest rate:				
Deposits	<b>5.28%</b>	4.68%	<b>5.28%</b>	4.65%
Borrowed federal funds	<b>5.50%</b>	5.10%	<b>5.50%</b>	4.96%
Average debt balance	<b>\$569,644</b>	\$393,980	<b>\$506,308</b>	\$364,047

Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(in thousands, except per share data)**  
**(unaudited)**

We had federal funds lines of credit of \$135,000 at June 30, 2007, and \$130,000 at December 31, 2006. The average rate on the outstanding lines of credit was 5.50 percent at June 30, 2007, and 5.41 percent at December 31, 2006.

**4. Derivative Instruments**

We use derivative instruments as part of our overall strategy to manage our exposure to fluctuations in fuel prices and to reduce the impact of interest rate volatility. As a matter of policy, we do not use derivatives for trading or speculative purposes. All derivatives are recorded at fair value on the condensed consolidated balance sheets in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Gains or losses related to fuel price derivative instruments are recognized currently in earnings, as they do not qualify for hedge accounting treatment. The instruments are presented on the condensed consolidated balance sheets as derivative instruments, at fair value. Our interest rate derivatives are designated as cash flow hedges in accordance with SFAS No. 133 and, accordingly, the change in fair value associated with the effective portion of these derivative instruments that qualify for hedge accounting treatment under SFAS No. 133 is recorded as a component of other comprehensive income and the ineffective portion, if any, is reported currently in earnings. Amounts included in other comprehensive income are reclassified into earnings in the same period during which the hedged item affects earnings. These instruments are presented as either other assets or other liabilities on the condensed consolidated balance sheets.

*Fuel Price Derivatives*

We use derivative instruments to manage the impact of volatility in fuel prices. We enter into put and call option contracts ( Options ) based on the wholesale price of unleaded gasoline and retail price of diesel fuel, which expire on a monthly basis through June 2009. The Options are intended to lock in a range of prices during any given quarter on a portion of our forecasted earnings subject to fuel price variations. Our fuel price risk management program is designed to purchase derivative instruments to manage our fuel price-related earnings exposure. We plan to continue locking in a significant portion of our fuel price related earnings exposure every quarter on a rolling basis.

The following table summarizes the changes in fair value of the Options which have been recorded in net realized and unrealized losses on derivative instruments on the condensed consolidated statements of income and comprehensive income.

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
Realized losses	<b>\$ (5,648)</b>	\$ (13,047)	<b>\$ (5,747)</b>	\$ (19,099)
Unrealized losses	<b>(3,991)</b>	(7,462)	<b>(14,582)</b>	(8,888)
Net realized and unrealized losses on derivative instruments	<b>\$ (9,639)</b>	\$ (20,509)	<b>\$ (20,329)</b>	\$ (27,987)

Management intends to hold the Options until their scheduled expirations.



**Table of Contents**

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(in thousands, except per share data)**  
**(unaudited)**

*Interest Rate Swaps*

In April 2005, we entered into interest rate swap arrangements (the Swaps) with two counterparties. The Swaps were designed as cash flow hedges intended to reduce a portion of the variability of the future interest payments on our variable rate debt instruments. The fair value of the Swaps was recorded as other assets. The following table presents information about the Swaps:

Weighted average fixed base rate	3.85 %
Aggregate notional amount of the Swaps:	
For the period October 24, 2005 through April 23, 2006	\$ 120,000
For the period April 24, 2006 through October 22, 2006	\$ 100,000
For the period October 23, 2006 through April 23, 2007	\$ 80,000

The following table summarizes the changes in the fair value of the Swaps.

	<b>Three months ended June 30, 2007</b>		<b>Six months ended June 30, 2007</b>	
	2007	2006	2007	2006
Realized gains <sup>(a)</sup>	\$ 103	\$ 304	\$ 400	\$ 506
Change in unrealized gains, net of tax impact of \$(42) and \$(162) in 2007 and \$(49) and \$37 in 2006 <sup>(b)</sup>	\$ (61)	\$ (20)	\$ (234)	\$ 48

<sup>(a)</sup> Realized gains on the Swaps have been recorded in financing interest expense on the condensed consolidated statements of income and comprehensive income.

- (b) Change in unrealized gains on the Swaps, net of the tax impact, have been recorded in accumulated other comprehensive income on the condensed consolidated balance sheets. No ineffectiveness was reclassified into earnings during the periods shown in the table.

The Swaps expired on April 23, 2007. There were no interest rate swap arrangements as of June 30, 2007. We did enter into an interest rate swap arrangement subsequent to June 30, 2007 (see Note 11, Subsequent Events ).

#### **5. Earnings per Share**

Diluted earnings per common share is calculated using weighted-average shares outstanding, less weighted-average shares reacquired during the period, adjusted for the dilutive effect of shares issuable upon the assumed conversion of our convertible, redeemable preferred stock and common stock equivalents, which consist of outstanding stock options and unvested restricted stock units. The interest expense on convertible, redeemable preferred stock is added back to net income when the related common stock equivalents are included in computing diluted earnings per common share.

Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(in thousands, except per share data)  
(unaudited)

Income available for common stockholders used to calculate earnings per share is as follows:

		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>June 30,</b>		<b>June 30,</b>	
		<b>2007</b>	2006	<b>2007</b>	2006
Income available for common stockholders	Basic	<b>\$ 16,354</b>	\$ 9,856	<b>\$ 24,691</b>	\$ 21,206
Convertible, redeemable preferred stock		<b>173</b>			
Income available for common stockholders	Diluted	<b>\$ 16,527</b>	\$ 9,856	<b>\$ 24,691</b>	\$ 21,206

Weighted average common shares outstanding used to calculate earnings per share is as follows:

		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>June 30,</b>		<b>June 30,</b>	
		<b>2007</b>	2006	<b>2007</b>	2006
Weighted average common shares outstanding	Basic	<b>39,995</b>	40,331	<b>40,170</b>	40,288
Unvested restricted stock units		<b>526</b>	559	<b>549</b>	546
Stock options		<b>119</b>	196	<b>134</b>	201
Convertible, redeemable preferred stock		<b>444</b>			
Weighted average common shares outstanding	Diluted	<b>41,084</b>	41,086	<b>40,853</b>	41,035

The following were not included in *Weighted average common shares outstanding Diluted* because they are anti-dilutive:

Unvested restricted stock units					
Stock options					
Convertible, redeemable preferred stock			444	<b>444</b>	444
Total			444	<b>444</b>	444

**6. Income Taxes**

The reconciliation between the income tax computed by applying the U.S. federal statutory rate and the reported effective tax rate on net income from continuing operations is as follows:

	<b>Six months ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
Federal statutory rate	<b>35.0 %</b>	35.0 %
State income taxes, net of federal income tax benefit	<b>1.4</b>	(1.7)
Revaluation of deferred tax assets, net	<b>43.3</b>	
Dividend exclusion	<b>0.1</b>	0.4
Other	<b>(0.3)</b>	0.1
Effective tax rate	<b>79.5 %</b>	33.8 %

Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(in thousands, except per share data)**  
**(unaudited)**

On June 7, 2007, the State of Maine enacted a law effective for tax years beginning on or after January 1, 2007, which changed the State's rules for apportioning income related to the performance of services. The new law effectively reduced taxable income or loss allocable to the State of Maine. This caused a change to the Company's apportionment factors and has resulted in a significant decrease in the Company's blended state income tax rate. The lower state income tax rate was applied to the cumulative temporary differences existing between the carrying amounts for financial reporting purposes and the amounts used for income tax purposes. The effect of this lower state income tax rate on the temporary differences decreased the Company's deferred tax assets which resulted in a charge to the provision for income taxes in this period of \$80,879.

The tax effects of temporary differences between financial reporting and tax purposes that give rise to the deferred tax assets and the deferred tax liabilities are presented below:

	<b>June 30, 2007</b>	December 31, 2006
Deferred tax assets related to:		
Reserve for credit losses	<b>\$ 3,391</b>	\$ 3,815
Stock-based compensation, net	<b>2,292</b>	2,589
Accrued expenses		439
State net operating loss carry forwards	<b>549</b>	8,001
Derivatives	<b>2,919</b>	
Unrealized losses on interest rate swaps and available-for-sale securities, net	<b>102</b>	
Tax deductible goodwill, net	<b>285,815</b>	373,874
	<b>295,068</b>	388,718
Deferred tax liabilities related to:		
Other assets	<b>1,860</b>	1,317
Property, equipment and capitalized software	<b>8,488</b>	7,362
Derivatives		2,655
Unrealized gains on interest rate swaps and available-for-sale securities, net		108
	<b>10,348</b>	11,442
Deferred income taxes, net	<b>\$ 284,720</b>	\$ 377,276



## 7. Tax Receivable Agreement

As a consequence of the Company's separation from Avis, the tax basis of the Company's tangible and intangible assets increased (the Tax Basis Increase). This Tax Basis Increase is expected to reduce the amount of tax that the Company may pay to the extent the Company generates taxable income in sufficient amounts in the future. The Company is contractually obligated, pursuant to its Tax Receivable Agreement with Avis, to remit to Avis 85 percent of any such cash savings, subject to repayment if it is determined that these savings should not have been available to the Company.

As discussed in Note 6, Income Taxes, the Company's blended state income tax rate decreased in the second quarter of 2007. The lower state income tax rate contributes to a lower overall rate. The lower overall rate decreased the Company's deferred tax assets and resulted in a charge to the provision for income taxes. The lower overall rate also decreased the expected benefit the Company will realize from the Tax Basis Increase. Accordingly, the related contractual liability to Avis recorded in connection with the Tax Receivable Agreement has decreased. This decrease resulted in non-operating income of \$78,904 for the three and six months ended June 30, 2007.

Page 14 of 36

---

**Table of Contents**

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(in thousands, except per share data)**  
**(unaudited)**

**8. Commitments and Contingencies**

*Litigation*

We are not involved in any material legal proceedings. However, from time to time, we are subject to other legal proceedings and claims in the ordinary course of business, none of which we believe are likely to have a material adverse effect on our financial position, results of operations or cash flows.

**9. New Credit Facility**

On May 22, 2007, we entered into a revolving credit facility (the Credit Agreement ) with a lending syndication. The Credit Agreement provides for a five-year \$350 million unsecured revolving credit facility.

Amounts outstanding under the Credit Agreement bear interest at a rate equal to (a) the British Bankers Association LIBOR rate plus a margin of 0.45% to 1.125% based on our consolidated leverage ratio or (b) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by Bank of America, N.A., plus a margin of up to 0.125% based on our consolidated leverage ratio. In addition, we have agreed to pay a quarterly commitment fee at a rate per annum ranging from 0.10% to 0.20% of the daily unused portion of the credit facility. Any outstanding loans under the Credit Agreement mature on May 22, 2012, unless extended pursuant to the terms of the Credit Agreement. The agreement contains certain financial covenants.

Proceeds from the Credit Agreement were used to refinance our indebtedness under an existing credit facility (the 2005 Facility ). All balances owed by us, which included \$20,000 on a revolving line-of-credit and \$131,000 on a term loan, under the 2005 Facility have been paid and our obligations have been satisfied. We expensed \$1,572 of unamortized loan origination fees in conjunction with the termination of the 2005 Facility. This charge has been recorded in the condensed consolidated statements of income and comprehensive income as loss on extinguishment of debt.

The Credit Agreement contains various financial covenants requiring us to maintain certain financial ratios. In addition to the financial covenants, the Credit Agreement contains various customary restrictive covenants that limit our ability to pay dividends, sell or transfer all or substantially all of our property or assets, incur more indebtedness or make guarantees, grant or incur liens on our assets, make investments, loans, advances or acquisitions, engage in mergers, consolidations, liquidations or dissolutions, enter into sales or leasebacks and change our accounting policies or reporting practices. FSC is not subject to certain of these restrictions.

**10. Segment Information**

Operating segments are defined by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chief Executive Officer. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and serves different markets.

Our chief decision maker evaluates the operating results of our reportable segments based upon revenues and adjusted net income, which is currently defined by the Company as net income adjusted for unrealized fair value changes of derivative instruments, net of taxes.

We operate in two reportable segments, fleet and MasterCard. The fleet reportable segment provides customers with payment and transaction processing services specifically designed for the needs of vehicle fleet customers. This segment also provides information management services to these fleet customers. The fleet

**Table of Contents**

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(in thousands, except per share data)**  
**(unaudited)**

reportable segment derives its revenue primarily from three marketing channels – direct, co-branded and private label. The MasterCard reportable segment provides customers with a payment processing solution for their corporate purchasing and transaction monitoring needs. Revenue in this segment is derived from two product lines – corporate charge cards and rotating accounts. The different MasterCard products are used by businesses to facilitate purchases of products and utilize the Company’s information management capabilities.

The accounting policies of the reportable segments are generally the same as those described in the summary of significant accounting policies in Note 1, Summary of Significant Accounting Policies, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Financing interest expense and net realized and unrealized losses on derivative instruments are not allocated to the MasterCard segment in the computation of segment results for internal evaluation purposes. Total assets are also not allocated to the segments.

The following table presents our reportable segment results for the three months ended June 30, 2007 and 2006:

	Total Revenues	Operating Interest Expense	Depreciation and Amortization	Provision for Income Taxes	Adjusted Net Income
<b>Three months ended June 30, 2007</b>					
<b>Fleet</b>	\$ 80,381	\$ 8,292	\$ 3,178	\$ 91,527	\$ 18,182
<b>MasterCard</b>	5,592	654	160	577	1,044
<b>Total</b>	\$ 85,973	\$ 8,946	\$ 3,338	\$ 92,104	\$ 19,226
<b>Three months ended June 30, 2006</b>					
<b>Fleet</b>	\$ 71,291	\$ 5,623	\$ 2,654	\$ 6,970	\$ 12,703
<b>MasterCard</b>	4,873	419	38	708	1,418
<b>Total</b>	\$ 76,164	\$ 6,042	\$ 2,692	\$ 7,678	\$ 14,121

The following table presents our reportable segment results for the six months ended June 30, 2007 and 2006:

Edgar Filing: Wright Express CORP - Form 10-Q/A

	Total Revenues	Operating Interest Expense	Depreciation and Amortization	Provision for Income Taxes	Adjusted Net Income
<b>Six months ended June 30, 2007</b>					
Fleet	\$ 147,270	\$ 14,614	\$ 6,322	\$ 100,100	\$ 32,445
MasterCard	10,525	1,253	318	881	1,578
<b>Total</b>	<b>\$ 157,795</b>	<b>\$ 15,867</b>	<b>\$ 6,640</b>	<b>\$ 100,981</b>	<b>\$ 34,023</b>
<b>Six months ended June 30, 2006</b>					
Fleet	\$ 132,378	\$ 9,952	\$ 5,131	\$ 13,628	\$ 24,605
MasterCard	8,424	697	75	911	1,782
<b>Total</b>	<b>\$ 140,802</b>	<b>\$ 10,649</b>	<b>\$ 5,206</b>	<b>\$ 14,539</b>	<b>\$ 26,387</b>

Table of Contents

**WRIGHT EXPRESS CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (concluded)**  
**(in thousands, except per share data)**  
**(unaudited)**

The following table reconciles adjusted net income to net income:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
Adjusted net income	<b>\$ 19,226</b>	\$ 14,121	<b>\$ 34,023</b>	\$ 26,387
Unrealized losses on derivative instruments	<b>(3,991)</b>	(7,462)	<b>(14,582)</b>	(8,888)
Tax impact of unrealized losses	<b>1,119</b>	3,197	<b>5,250</b>	3,707
Net income	<b>\$ 16,354</b>	\$ 9,856	<b>\$ 24,691</b>	\$ 21,206

**11. Subsequent Events**

Effective July 23, 2007, we entered into interest rate swap arrangements with two counterparties. These interest rate swap arrangements were designed as cash flow hedges intended to reduce a portion of the variability of the future interest payments on our credit agreement. The fair value of these instruments will be recorded as other assets. The following table presents information about the interest rate swap arrangements:

Weighted average fixed base rate	5.20%
Aggregate notional amount of the Swaps:	
For the period July 23, 2007 through July 22, 2009	\$ 80,000

In addition, on August 6, 2007, we acquired the privately held company TelaPoint, Inc. ( TelaPoint ) for approximately \$40,000 in cash, financed through our existing credit facility. TelaPoint is a leading provider of browser-based supply chain software solutions for bulk petroleum distributors and retailers, serving more than 20,000 retail and wholesale sites across the country. TelaPoint will be included in our fleet operating segment.

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

*We have restated our previously issued Condensed Consolidated Balance Sheets as of June 30, 2007, and our previously issued Condensed Consolidated Statements of Income and Comprehensive Income and Condensed Consolidated Statements of Cash Flows for the three and six months then ended. This restatement adjusted amounts as detailed in Note 1 to the Condensed Consolidated Financial Statements. All affected amounts and period-to-period comparisons described herein have been restated.*

*We intend for this discussion to provide the reader with information that will assist you in understanding our financial statements, the changes in key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting estimates affect our financial statements. The discussion also provides information about the financial results of the two segments of our business to provide a better understanding of how those segments and their results affect our financial condition and results of operations as a whole. This discussion should be read in conjunction with our audited financial statements as of December 31, 2006, the notes accompanying those financial statements as contained in our Annual Report on Form 10-K filed with the SEC on February 28, 2007 and in conjunction with the unaudited condensed consolidated financial statements and notes in **Item 1 of Part I** this report.*

**Overview**

Wright Express is a leading provider of payment processing and information management services to the vehicle fleet industry. We facilitate and manage transactions for vehicle fleets through our proprietary closed network of major oil companies, fuel retailers and vehicle maintenance providers. We provide fleets with detailed transaction data, analytical tools and purchase control capabilities. Our operations are organized as follows:

**Fleet** The fleet reportable segment provides customers with payment and transaction processing services specifically designed for the needs of the vehicle fleet industry. This segment also provides information management services to these fleet customers.

**MasterCard** The MasterCard reportable segment provides customers with a payment processing solution for their corporate purchasing and transaction monitoring needs. The MasterCard products are used by businesses to facilitate purchases of products and utilize our information management capabilities.

**Summary**

Total payment processing fuel transactions increased 15.6 percent for the three months ended June 30, 2007, over the same period last year, to 53.2 million, and increased 16.0 percent during the six months ended June 30, 2007, over the same period last year, to 103.8 million. The increase was primarily driven by two factors: the conversion of ExxonMobil from a transaction processing program to a payment processing program in December 2006 and the overall growth in our customer base as indicated by the increase in average number of vehicles serviced.

The fuel price per gallon for payment processing transactions during the three months ended June 30, 2007, was \$2.95. This was a 3.3 percent increase compared to the same period a year ago. The fuel price per gallon for payment processing transactions during the six months ended June 30, 2007, was \$2.70. This was a 2.3 percent increase compared to the same period a year ago. The collar on our fuel derivatives had a floor of \$2.29 and a ceiling of \$2.36 for the second quarter of this year compared to a floor of \$1.88 and a ceiling of \$1.95 for the second quarter of 2006. As a result of the higher floor and ceiling on the derivative instruments, the realized losses were \$5.6 million in the second quarter of 2007 compared to the realized losses of \$13.0 million for the second quarter in 2006. Realized losses were \$5.7 million in the six months ended June 30, 2007, compared to the realized losses of \$19.1 million for the six months ended June 30, 2006.

**Table of Contents**

Credit losses in the fleet operating segment were \$3.0 million for the three months ended June 30, 2007, versus \$2.6 million for the three months ended June 30, 2006. Credit losses in the fleet operating segment were \$8.8 million for the six months ended June 30, 2007, versus \$6.2 million for the six months ended June 30, 2006. The additional credit loss expense for the six months ended June 30, 2007, is linked to higher net accounts receivable as a result of the December 31, 2006, purchase of the ExxonMobil portfolio and higher charge-offs due to historically high fuel prices in 2006.

Total MasterCard purchase volume grew \$132 million to \$464 million for the three months ended June 30, 2007, an increase of 39.6 percent over the same period last year. Total MasterCard purchase volume grew \$248 million to \$850 million for the six months ended June 30, 2007, an increase of 41.1 percent over the same period last year. Growth was primarily driven by spend on single use account card, formerly referred to as the rotating purchase card product.

Our operating interest expense, which includes interest accruing on deposits and federal funds, increased to \$8.9 million during the three months ended June 30, 2007, from \$6.0 million during the three months ended June 30, 2006. Operating interest expense increased to \$15.9 million during the six months ended June 30, 2007, from \$10.6 million during the six months ended June 30, 2006. The purchase of the ExxonMobil portfolio in December of 2006 resulted in an increase in operating interest expense of \$1.1 million for the three months ended June 30, 2007, compared to the same period in the prior year, and a \$2.2 million increase in operating interest expense for the six month period ended June 30, 2007, compared to the same period in the prior year. The remainder of the increase in operating interest expense for both periods was primarily due to an increase in the average interest rate and an increase in the number of gallons being funded.

On June 7, 2007, the State of Maine enacted a law effective for tax years beginning on or after January 1, 2007, which changed the State's rules for apportioning income related to the performance of services. The new law effectively reduced our overall blended statutory income tax rates, the amount of our deferred tax assets, and the amount of the related contractual liability to Avis. The effect of this lower state income tax rate on our existing deferred tax assets resulted in a charge to the provision for income taxes of \$80.9 million during this period. Under the terms of our Tax Receivable Agreement with Avis, a significant portion of this charge was offset by \$78.9 million of non-operating income resulting from decreasing our contractual liability to Avis.

**Table of Contents****Results of Operations****Fleet**

The following table reflects comparative operating results and key operating statistics within our fleet reportable segment:

(in millions, except per transaction and per gallon data)

	Three months ended June 30,		<b>Increase (decrease)</b>	Six months ended June 30,		<b>Increase (decrease)</b>
	2007	2006		2007	2006	
<b>Revenues</b>						
Payment processing revenue	\$ 61.8	\$ 53.6	<b>15 %</b>	\$ 111.4	\$ 97.2	<b>15 %</b>
Transaction processing revenue	3.6	4.3	<b>(16) %</b>	7.1	8.5	<b>(16) %</b>
Account servicing revenue	6.3	5.9	<b>7 %</b>	12.5	11.8	<b>6 %</b>
Finance fees	6.4	5.2	<b>23 %</b>	11.9	10.4	<b>14 %</b>
Other	2.3	2.4	<b>(4) %</b>	4.4	4.5	<b>(2) %</b>
<b>Total revenues</b>	<b>80.4</b>	<b>71.4</b>	<b>13 %</b>	<b>147.3</b>	<b>132.4</b>	<b>11 %</b>
<b>Operating expenses</b>	<b>39.3</b>	<b>35.0</b>	<b>12 %</b>	<b>80.2</b>	<b>67.7</b>	<b>18 %</b>
<b>Operating income</b>	<b>41.1</b>	<b>36.4</b>	<b>13 %</b>	<b>67.1</b>	<b>64.7</b>	<b>4 %</b>
Financing interest expense	3.0	3.7	<b>(19) %</b>	6.1	7.4	<b>(18) %</b>
Loss on extinguishment of debt	1.6			1.6		
Net realized and unrealized losses on derivative instruments	9.6	20.5	<b>(53) %</b>	20.3	28.0	<b>(28) %</b>
Decrease in amount due to Avis under tax receivable agreement	(78.9)			(78.9)		
<b>Income before taxes</b>	<b>105.8</b>	<b>12.2</b>	<b>767 % 2279</b>	<b>118.0</b>	<b>29.3</b>	<b>303 %</b>
Provision for income taxes	90.4	3.8	<b>%</b>	94.8	9.9	<b>858 %</b>
<b>Net income</b>	<b>\$ 15.4</b>	<b>\$ 8.4</b>	<b>83 %</b>	<b>\$ 23.2</b>	<b>\$ 19.4</b>	<b>20 %</b>



**Key operating statistics**

## Payment processing revenue:

Payment processing transactions	53.2	46.0	<b>16 %</b>	103.8	89.5	<b>16 %</b>
Average expenditure per payment processing transaction	\$ 60.10	\$ 57.45	<b>5 %</b>	\$ 54.85	\$ 53.17	<b>3 %</b>
Average price per gallon of fuel	\$ 2.95	\$ 2.86	<b>3 %</b>	\$ 2.70	\$ 2.64	<b>2 %</b>

## Transaction processing revenue:

Transaction processing transactions	9.9	15.1	<b>(34) %</b>	19.3	29.7	<b>(35) %</b>
-------------------------------------	-----	------	---------------	------	------	---------------

## Account servicing revenue:

Average number of vehicles serviced	4.37	4.28	<b>2 %</b>	4.33	4.28	<b>1 %</b>
-------------------------------------	------	------	------------	------	------	------------

Payment processing revenue increased \$8.2 million for the three months ended June 30, 2007, compared to the same period last year. Payment processing revenue increased \$14.2 million for the six months ended June 30, 2007, compared to the same period last year. These increases were primarily due to a 16 percent increase in the number of payment processing transactions during both the three months and six months ended June 30, 2007. The conversion of the ExxonMobil portfolio to a payment processing program in December 2006 contributed approximately 7 percent of the 15 percent increase in payment processing revenue for both the three months ended June 30, 2007, and the six months ended June 30, 2007.

Transaction processing revenue decreased \$0.7 million for the three months ended June 30, 2007, compared to the same period in 2006. Transaction processing revenue decreased \$1.4 million for the six months ended June 30, 2007, compared to the same period in 2006. The decrease in revenue is due to a decrease in transaction processing transactions due to the conversion of the ExxonMobil portfolio from a transaction processing program to a payment processing program.

**Table of Contents**

Our finance fees have increased \$1.2 million for the three months ended June 30, 2007, over the same period in the prior year to \$6.4 million, and increased \$1.5 million for the six months ended June 30, 2007, over the same period in the prior year to \$11.9 million. Approximately \$0.6 million of the increase in finance fees for the three months ended June 30, 2007, and approximately \$0.9 million of the increase in finance fees for the six months ended June 30, 2007, correspond to higher amounts subject late fees as a result of the conversion of the ExxonMobil portfolio. The remaining increase in late fees correlates to the increase in our accounts receivable balance exclusive of the ExxonMobil accounts.

Changes in operating expenses for the three months and six months ended June 30, 2007, as compared to the corresponding periods a year ago, include the following:

Credit losses were \$3.0 million in the three months ended June 30, 2007, compared to \$2.6 million for the same period last year. Credit losses were \$8.8 million in the six months ended June 30, 2007, compared to \$6.2 million for the same period last year. We generally measure our credit loss performance by calculating credit losses as a percentage of total fuel expenditures on payment processing transactions ( Fuel Expenditures ). This metric for credit losses was 9.3 basis points of Fuel Expenditures for the three months ended June 30, 2007, compared to 10.9 basis points of Fuel Expenditures for the same period last year. The conversion of the ExxonMobil portfolio did not have a significant impact to the quarterly credit loss expense as compared to prior year. Credit losses were 15.5 basis points of Fuel Expenditures for the six months ended June 30, 2007, compared to 13.2 basis points of Fuel Expenditures for the same period last year. The conversion of the ExxonMobil portfolio to a payment processing program resulted in approximately 1 basis point increase to expense for the six month period. The ExxonMobil portfolio consists primarily of small fleets, which experienced higher loss rates than our other portfolios during the first quarter of 2007. The remaining increase was driven by higher charge-offs in our other fleet portfolios. The higher charge-offs correlate to historically high fuel prices in 2006.

Operating interest expense:

Operating interest expense increased \$2.7 million for the three months ended June 30, 2007, compared to the same period in 2006. Our average operating debt balance, which consists of our deposits and borrowed federal funds, totaled \$569.6 million for the second quarter of this year as compared to our average operating debt balance of \$394.0 million for the second quarter of 2006. In late December 2006, we borrowed additional operating debt to fund the \$86.8 million purchase of the ExxonMobil portfolio. Average operating debt related to this purchase resulted in an increase in operating interest expense of \$1.1 million. An increase in weighted average interest rates to 5.3 percent in the three months ended June 30, 2007, from 4.8 percent in same period a year ago resulted in an increase to operating interest expense of \$0.5 million. The remaining increase in operating interest expense is primarily due to an increase in Fuel Expenditures, exclusive of the ExxonMobil transactions.

Operating interest expense increased \$4.7 million for the six months ended June 30, 2007, compared to the same period in 2006. Our average operating debt balance for the first half of this year totaled \$506.3 million as compared to our average operating debt balance of \$364.0 million for the first half of 2006. Average debt related to the purchase of the ExxonMobil portfolio resulted in an increase of \$2.2 million in operating interest expense. An increase in weighted average interest rates to 5.3 percent in the six months ended June 30, 2007, from 4.6 percent in same period last year resulted in an increase to operating interest expense of \$1.3 million. The remaining increase in operating interest expense is primarily due to an increase in Fuel Expenditures, exclusive of the ExxonMobil transactions. Changes in interest rates may create volatility in our operating interest expense.

Salary and other personnel expenses increased \$0.4 million for the three months ended June 30, 2007, as compared to the same period last year. Salary and other personnel expenses increased \$2.1 million for the six

months ended June 30, 2007, as compared to the same period last year. Throughout 2006 and during 2007 we added costs primarily in the sales, finance and information technology areas to support growth in our existing business and to facilitate new product offerings. Headcount additions included 28 new sales positions, of which, 10 are dedicated to the ExxonMobil program.

Page 21 of 36

---

**Table of Contents**

Depreciation and amortization expenses increased \$0.5 million for the three months ended June 30, 2007, as compared to the same period in 2006, and increased \$1.2 million for the six months ended June 30, 2007, as compared to the same period in 2006. This increase in each period is due to the addition of capital assets as we enhance our product features and functionality.

Financing interest expense is related primarily to the corporate credit facility and secondarily to the preferred stock. Interest expense for the three months ended June 30, 2007, consists of only one month of interest expense related to our February 2005 corporate credit facility and two months of interest expense from our new corporate credit facility. We refinanced our debt and entered into a new credit facility on May 22, 2007. Finance interest expense decreased \$0.7 million for the three months ended June 30, 2007, as compared to same period last year. Finance interest expense decreased \$1.3 million for the six months ended June 30, 2007, as compared to the same period last year. The primary reason for this decline is the average debt balance decreasing to \$170.0 million for the three months ended June 30, 2007, as compared to \$215.2 million for the three months ended June 30, 2006. The average debt balance decreased to \$171.2 million for the six months ended June 30, 2007, as compared to \$221.6 million for the six months ended June 30, 2006. The average interest rate increased to 7.1 percent for the three months ended June 30, 2007, as compared to 6.8 percent for the same period last year. The average interest rate increased to 6.9 percent for the six months ended June 30, 2007, as compared to 6.7 percent for the same period last year. The outstanding balance on our corporate credit facility at June 30, 2007, was \$164.6 million. The refinancing of our debt resulted in a debt extinguishment expense of \$1.6 million for the three and six months ended June 30, 2007.

We own fuel price-sensitive derivative instruments that we purchase on a periodic basis to manage the impact of volatility in fuel prices on our cash flows. Our derivative instruments do not qualify for hedge accounting under Statement of Financial Accounting Standards ( SFAS ) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Accordingly, gains and losses on our fuel price-sensitive derivative instruments affect our net income. The following table illustrates the relationship between our realized and unrealized losses, the collar range and the average fuel price for each period covered.

(in millions, except per gallon data)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Realized losses	\$ 5.6	\$ 13.0	\$ 5.7	\$ 19.1
Unrealized losses	4.0	7.5	14.6	8.9
Net realized and unrealized losses on fuel price derivatives	\$ 9.6	\$ 20.5	\$ 20.3	\$ 28.0
Collar range (per gallon):				
Floor	\$ 2.29	\$ 1.88	\$ 2.29	\$ 1.88
Ceiling	\$ 2.36	\$ 1.95	\$ 2.36	\$ 1.95
Average fuel price (per gallon)	\$ 2.95	\$ 2.86	\$ 2.70	\$ 2.64



**Table of Contents**

On June 7, 2007, the State of Maine enacted a law effective for tax years beginning on or after January 1, 2007, which changed the State's rules for apportioning income related to the performance of services. The new law effectively reduced taxable income or loss allocable to the State of Maine. This caused a change to our apportionment factors and has resulted in a significant decrease in our blended state income tax rate. The lower state income tax rate was applied to the cumulative temporary differences existing between the carrying amounts for financial reporting purposes and the amounts used for income tax purposes. The effect of this lower state income tax rate on the temporary differences decreased our deferred tax assets which resulted in a charge to the provision for income taxes in this period of approximately \$81 million. After taking into account the change in tax law, we anticipate that our effective tax rate for the remainder of the year will be approximately 36.7%.

The lower state income tax rate contributes to a lower overall rate. The lower overall rate decreased the expected benefit we will realize from the increased tax basis generated by our separation from Avis. Accordingly, the related contractual liability to Avis recorded in connection with the Tax Receivable Agreement has decreased. This decrease resulted in non-operating income of approximately \$79 million for the three and six months ended June 30, 2007.

**Table of Contents****MasterCard**

The following table reflects comparative operating results and key operating statistics within our MasterCard reportable segment:

(in millions)

	Three months ended June 30, 2007		Increase (decrease)	Six months ended June 30, 2007		Increase (decrease)
<b>Revenues</b>						
Payment processing revenue	\$ 5.2	\$ 4.1	27 %	\$ 9.8	\$ 7.5	31 %
Finance fees	0.2	0.1	100 %	0.2	0.1	100 %
Other	0.2	0.6	(67)%	0.5	0.8	(38)%
<b>Total revenues</b>	<b>5.6</b>	<b>4.8</b>	<b>17 %</b>	<b>10.5</b>	<b>8.4</b>	<b>25 %</b>
<b>Operating expenses</b>	<b>4.0</b>	<b>2.7</b>	<b>48 %</b>	<b>8.1</b>	<b>5.7</b>	<b>42 %</b>
<b>Income before taxes</b>	<b>1.6</b>	<b>2.1</b>	<b>(24)%</b>	<b>2.4</b>	<b>2.7</b>	<b>(11)%</b>
Provision for income taxes	0.6	0.7	(14)%	0.9	0.9	
<b>Net income</b>	<b>\$ 1.0</b>	<b>\$ 1.4</b>	<b>(29)%</b>	<b>\$ 1.5</b>	<b>\$ 1.8</b>	<b>(17)%</b>

**Key operating statistics**

Payment processing revenue:

Total MasterCard purchase volume	\$ 464.4	\$ 332.7	40%	\$ 849.6	\$ 602.1	41%
----------------------------------	----------	----------	-----	----------	----------	-----

Payment processing revenue and the related operating expenses increased due to higher MasterCard purchase volume, primarily driven by new business from our single use account card. Offsetting a portion of the increase in payment processing revenue during 2007 was an increase in rebates. Some of our customers have reached higher payout tiers qualifying for higher rebate amounts. Other revenues in 2006 included \$0.5 million from the proceeds of MasterCard's initial public offering during the second quarter of 2006.

Operating expenses have increased in the following areas:

Service fee expenses are based on a purchase volume which has increased period over period.

Operating interest expense increased approximately \$0.2 million for the three months ended June 30, 2007, and \$0.6 million for the six months ended June 30, 2007, over the same periods in the prior year.

The provision for credit loss was higher by \$0.3 million for the three months ended June 30, 2007, and \$0.5 million for the six months ended June 30, 2007, as compared to the same periods last year.

Page 24 of 36

---



**Table of Contents****Liquidity, Capital Resources and Cash Flows**

The following table summarizes our financial position at June 30, 2007, compared to December 31, 2006:

(in millions)

	June 30, 2007	December 31, 2006	Change Amount	Change Percent
<b>Assets</b>				
Cash and cash equivalents	\$ 32.9	\$ 35.1	\$ (2.2)	(6)%
Accounts receivable, net	1,134.3	802.2	332.1	41%
Deferred income taxes, net	284.7	377.3	(92.6)	(25)%
All other assets	346.0	336.4	9.6	3%
<b>Total assets</b>	<b>\$ 1,797.9</b>	<b>\$ 1,551.0</b>	<b>\$ 246.9</b>	<b>16%</b>
<b>Liabilities and stockholders equity</b>				
Accounts payable, deposits and borrowed federal funds	\$ 1,058.3	\$ 757.2	\$ 301.1	40%
Borrowings under credit agreement, net	164.6	149.8	14.8	10%
Amounts due to Avis under tax receivable agreement	328.4	418.4	(90.0)	(22)%
All other liabilities	55.3	42.5	12.8	30%
<b>Total liabilities</b>	<b>1,606.6</b>	<b>1,367.9</b>	<b>238.7</b>	<b>17%</b>
<b>Stockholders equity</b>	<b>191.3</b>	<b>183.1</b>	<b>8.2</b>	<b>4%</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,797.9</b>	<b>\$ 1,551.0</b>	<b>\$ 246.9</b>	<b>16%</b>

Our results for the six months ended June 30, 2007 used approximately \$2 million of cash. In comparison, we used approximately \$28 million of cash during the six months ended June 30, 2006. Significant cash flow differences between the first half of 2007 as compared to the first half of 2006 include:

Operating cash of \$341 million was used to fund receivable balances for 2007 compared to \$245 million for the same period a year ago an additional usage of \$96 million. Net accounts receivable have increased primarily as a result of the conversion of the ExxonMobil portfolio to a payment processing program, an increase in payment processing transactions and a 3 percent increase in the price per gallon of fuel.

Investing cash included maturities of available-for-sale securities of \$15 million during the first six months of 2006. Maturities during the first six months of 2007 were less than \$1 million.

Deposits and borrowed federal funds provided \$165 million in 2007 compared to \$46 million provided during the same period a year ago a change in cash of \$119 million. During the first half of 2007, net cash provided by deposits, federal funds and accounts payable were used to fund a majority of our accounts receivable.

We used \$21 million as part of the new share repurchase program during the first six months of 2007.

For the six months ended June 30, 2007, we used approximately \$9 million for capital expenditures. Our capital expenditures are primarily to enhance product features and functionality and to acquire information systems and equipment. Capital expenditures are slightly higher than same period a year ago. In addition, we entered into an agreement for approximately \$3 million for a software license which we capitalized. This license was financed over 3 years. We expect total capital expenditures for 2007, including the capitalized software license, to be approximately \$19 to \$21 million.

We utilize certificates of deposit to finance the accounts receivable of our bank subsidiary, FSC. FSC issues certificates of deposit at various maturities ranging between three months and three years and with effective annual fixed rates ranging from 4.45% to 5.45%. As of June 30, 2007, we had approximately \$594 million of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements. We also utilize federal funds lines of credit to supplement the financing of the accounts receivable of our bank subsidiary.

**Table of Contents**

On May 22, 2007, we extinguished our term loan and entered into a revolving line-of-credit facility agreement with a lending syndication. At June 30, 2007 we had outstanding borrowings on the Credit Agreement of \$164.6 million for non-portfolio related cash needs.

Our new credit agreement contains various financial covenants requiring us to maintain certain financial ratios. In addition to the financial covenants, the credit agreement contains various customary restrictive covenants that limit our ability to pay dividends, sell or transfer all or substantially all of our property or assets, incur more indebtedness or make guarantees, grant or incur liens on our assets, make investments, loans, advances or acquisitions, engage in mergers, consolidations, liquidations or dissolutions, enter into sales or leasebacks and change our accounting policies or reporting practices. FSC is not subject to certain of these restrictions. We were in compliance with all material covenants and restrictions at June 30, 2007.

Additional borrowings under the new revolving line-of-credit facility agreement may be used to fund future acquisitions, re-acquire additional shares of our common stock or fund other future non-portfolio related cash needs.

The new State of Maine tax law impacted our overall blended statutory income tax rates, the amount of our deferred tax assets, and the amount of the related contractual liability to Avis. These changes had no material impact to our liquidity or cash flows.

Management believes that we can adequately fund our cash needs for at least the next 12 months.

**Purchase of Treasury Shares**

The following table presents stock repurchase program activity from February 12, 2007, through June 30, 2007:

(in thousands)	Three months ended June 30, 2007		Six months ended June 30, 2007	
	Shares	Cost	Shares	Cost
Treasury stock purchased	210.0	\$ 6,485	698.7	\$ 20,643

On February 7, 2007, the Board of Directors approved a share repurchase program authorizing the purchase of up to \$75 million of our common stock over 24 months. As of June 30, 2007, we have approximately \$54.4 million of the authorized amount remaining for the repurchase of shares.

**Application of Critical Accounting Policies and Estimates**

Many accounting estimates and assumptions involved in the application of accounting principles generally accepted in the United States of America have a material impact on reported financial condition and operating performance and on the comparability of such reported information over different reporting periods. We base our estimates and judgments on historical experience and on various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates. On an ongoing basis, we evaluate our estimates and judgments that we believe are most important to the portrayal of our financial condition and results of operations. We regard an accounting estimate or assumption underlying our financial statements to be most important to the portrayal of our financial condition and results of operations and therefore a critical accounting estimate where:

The nature of the estimate or assumption is material due to the level of subjectivity and judgment necessary to account for a highly uncertain matter or the susceptibility of such matter to change; and

The impact of the estimate and assumption on our financial condition or operating performance is material.

## **Table of Contents**

### ***Reserve for Credit Losses***

Our reserve for credit losses is an estimate of the amounts currently recorded in gross accounts receivable that will ultimately not be collected. The reserve reduces our accounts receivable balances as reported in our financial statements to their net realizable value. Management estimates these reserves based on assumptions and other considerations, including a review of accounts receivable balances which become past due, past loss experience, customer payment patterns, current economic conditions, known fraud activity in the portfolio and industry averages.

Management utilizes a model to calculate the level of the reserve for credit losses which includes such factors as:

- a six-month rolling average of actual charge-off experience;

- amounts currently due;

- the age of the balances;

- estimated bankruptcy rates; and,

- the absolute dollar value of the accounts receivable portfolio.

In addition to the model, management uses their judgment to ensure that the reserve for credit losses that is established is reasonable and appropriate.

Management believes that the assumptions and other considerations it uses to estimate the reserve for credit losses are appropriate. Management has been materially accurate in past assumptions. However, if actual experience differs from the assumptions and other considerations used in estimating the reserves, the resulting change could have a material adverse effect on our consolidated results of operations, and in certain situations could have a material adverse effect on our financial condition.

### ***Income Taxes***

In calculating our effective tax rate, we apportion income among the various state taxing jurisdictions based upon where we do business. On an ongoing basis, we evaluate the judgments and estimates underlying our calculation of the effective tax rates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the effective tax rate. Changes in the location of taxable income or loss can result in significant changes in the effective tax rate as has been evidenced by the significant tax charge recognized in the current period. Materially different results in the amount and timing of our actual results for any period could occur if our management made different judgments or utilized different estimates.

We make judgments regarding the realizability of our deferred tax assets. In accordance with SFAS No. 109, *Accounting for Income Taxes*, the carrying value of net deferred tax assets is based on the belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets after consideration of all available positive and negative evidence. Future realization of the tax benefit of existing deductible temporary differences or carry forwards ultimately depends on the existence of sufficient taxable income of the appropriate character within the carry back and carry forward period available under the tax law. Future reversals of existing taxable temporary differences, projections of future taxable income excluding reversing temporary differences and carry forwards, taxable income in prior carry back years, and prudent and feasible tax planning strategies that would, if necessary, be implemented to preserve the deferred tax asset, may be considered to identify possible sources of taxable income. At June 30, 2007, we had net deferred tax assets of approximately \$285 million of which the significant components relate to goodwill deductible for income tax purposes. Management has determined that the likelihood of realization of the deferred tax asset has met the more likely than not criteria established by SFAS No. 109. Thus, no valuation allowances have been established. If future taxable income differs from management's estimate, allowances may be required and may impact our future net income.

On July 13, 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109 and prescribes a recognition



## **Table of Contents**

threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 percent likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We adopted the provisions of FIN 48 on January 1, 2007. We did not recognize any material liability for unrecognized tax benefits in conjunction with our FIN 48 implementation. However, as we accrue for such liabilities when they arise, we will recognize interest and penalties associated with uncertain tax positions as part of our income tax provision.

### **Changes in Accounting Policies and Recently Issued Accounting Pronouncements**

During the three months ended June 30, 2007, there were no changes to accounting policies that had or are expected to have a material effect on our financial position or results of operations. There have been no recently issued accounting pronouncements that have not already been discussed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2007.

### **Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain statements that are forward-looking and are not statements of historical facts. When used in this quarterly report, the words may, will, could, anticipate, plan, continue, project, intend, estimate, believe, expect and similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such words. These statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or the performance by us to be materially different from future results or performance expressed or implied by such forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this quarterly report, in press releases and in oral statements made by our authorized officers:

Our revenues are largely dependent on fuel prices, which are prone to significant volatility.

Our derivative instruments may expose us to the risk of financial loss if we determine it necessary to unwind our position prior to the expiration of the contract.

Our failure to respond to competitive pressures with reduced fees or increased levels of capabilities and services.

Major oil companies who have not traditionally provided universally accepted transaction processing may issue competing products and information management services specifically tailored to their fleet customers.

Our failure to maintain or renew key agreements could adversely affect the number of fleet customer relationships we maintain or the number of locations that accept our payment processing services. In this regard, our top five strategic relationships are two of the largest North American oil companies and three of the largest domestic fleet management companies.

A decrease in demand for fuel as a result of a general downturn in the economic conditions in the United States or an increase in popularity of automobiles powered by alternative fuel sources, such as hybrid vehicle technology.

Our failure to expand our technological capabilities and service offerings as rapidly as our competitors.

Our failure to adequately assess and monitor credit risks of our customers could result in a significant increase in our bad debt expense.

The actions of regulatory bodies, including bank regulators.

Acts of terrorism, war, or civil disturbance.

A decline in general economic conditions.

Page 28 of 36

---

**Table of Contents**

Our ability to achieve earnings forecasts, which are generated based on projected volumes. There can be no assurance that we will achieve the projected level of fuel and service transactions.

The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in our Company's Securities and Exchange Commission filings, including the risk factors included in *Item 1A* of our Annual Report on Form 10-K for the year ended December 31, 2006, and updated risk factors in *Part II, Item 1A* in this Quarterly Report on Form 10-Q.

The forward-looking statements speak only as of the date of this quarterly report and undue reliance should not be placed on these statements.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The following quantitative and qualitative disclosures about market risk should be read in conjunction with our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2007.

**Commodity Price Risk**

The following table reflects the estimated quarterly effect of changes in the price of gas, without the effect of our fuel price derivative instruments:

(in thousands, except per gallon data)

Change in price per gallon	\$ (0.30)	\$ (0.20)	\$ (0.10)	\$ 0.10	\$ 0.20	\$ 0.30
Effect on:						
Revenue	\$ (6,759)	\$ (4,506)	\$ (2,253)	\$ 2,253	\$ 4,506	\$ 6,759
Expenses	(1,352)	(901)	(451)	451	901	1,352
Operating income	\$ (5,407)	\$ (3,605)	\$ (1,802)	\$ 1,802	\$ 3,605	\$ 5,407

The table above does not reflect the impact of these derivatives on our pre-tax income, as management cannot predict the changes in market value of these instruments. These market value changes are unrealized and have no cash impact but must be reported as unrealized gains and losses in our operating results.

We enter into put and call option contracts ( Options ) based on the wholesale price of unleaded gasoline and retail price of diesel fuel to manage the impact of volatility in fuel prices to our cash flows. These contracts expire on a monthly basis according to the schedule below. The Options are intended to lock in a range of prices during any given quarter on a portion of our forecasted earnings subject to fuel price variations. Our fuel price risk management program is designed to purchase derivative instruments to manage the Company's fuel price-related earnings exposure. We plan to continue locking in about 90 percent of our earnings exposure every quarter, on a rolling basis. The following table presents information about the Options as of June 30, 2007:

	Percentage <sup>(a)</sup>	Weighted Average Price <sup>(b)</sup>	
		Floor	Ceiling
For the period April 1, 2007 through June 30, 2007	90%	\$2.29	\$2.36



Edgar Filing: Wright Express CORP - Form 10-Q/A

For the period July 1, 2007 through September 30, 2007	90%	\$2.32	\$2.39
For the period October 1, 2007 through December 31, 2007	90%	\$2.41	\$2.48
For the period January 1, 2008 through March 31, 2008	90%	\$2.53	\$2.60
For the period April 1, 2008 through June 30, 2008	90%	\$2.59	\$2.65
For the period July 1, 2008 through September 30, 2008	90%	\$2.53	\$2.59
For the period October 1, 2008 through December 31, 2008	90%	\$2.50	\$2.56
For the period January 1, 2009 through March 31, 2009	60%	\$2.53	\$2.59
For the period April 1, 2009 through June 30, 2009	30%	\$2.59	\$ 2.65

(a) Represents the percentage of the Company's forecasted earnings subject to fuel price variations to which the Options pertain.

(b) Weighted average price is the Company's estimate of the retail price equivalent of the underlying strike price of the Options.

## **Table of Contents**

The Options limit the impact fuel price fluctuations have on our cash flows. The Options that we have entered into:  
Create a floor price that results in cash receipts to us when the price goes below the floor price.

Create a ceiling price that results in cash payments by us when the price goes above the ceiling price.

Result in no cash settlement when prices are between the floor and ceiling prices.

Our fuel price derivatives for gasoline are based on a wholesale index; our fuel price derivatives for diesel fuel are based on a retail index. We earn our payment processing revenues based on retail fuel prices. Differences between the indices and the actual retail prices may create a mismatch, which may result in an increase or decrease to our realized gains and losses.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

In connection with the original filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, our Chief Executive Officer and Chief Financial Officer, with the participation of our management, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2007. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

As a result of the errors and the related restatement discussed in Note 1 to the condensed consolidated financial statements, our Chief Executive Officer and Chief Financial Officer, with the participation of our management, reevaluated the effectiveness of our disclosure controls and procedures for the quarter ended June 30, 2007 in connection with filing this amended Quarterly Report on Form 10-Q/A. As a result of the material weakness relating to tax matters discussed below, our Chief Executive Officer and Chief Financial Officer have concluded, based on this reevaluation, that as of June 30, 2007, our disclosure controls and procedures were not effective. Notwithstanding the tax-related material weakness discussed below, our Chief Executive Officer and Chief Financial Officer have concluded that the financial statements included in this Form 10-Q/A present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

Our Chief Executive Officer and Chief Financial Officer, in conjunction with management, have determined that the Company had a material weakness as of June 30, 2007 relating to the controls over accounting for income taxes. Specifically, the Company's procedures did not operate effectively to detect changes in state tax laws and the related effects of those changes. As discussed in Note 1 to the condensed consolidated financial statements, the Company is restating for the tax-related errors.

#### **Changes in Internal Control Over Financial Reporting and Remediation Status**

Except as discussed below, there were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent to the issuance of our condensed consolidated financial statements for the three and six months ended June 30, 2007, the Company determined that it had not appropriately considered the impact of newly adopted tax legislation in Maine. The Company concluded that certain elements of its previously issued financial statements were misstated and, accordingly, as evidenced herein, has restated those financial statements.



**Table of Contents**

Prior to our identification of this tax-related error, and as a result of the Company's ongoing assessment of controls and procedures, during the fourth quarter of 2007 the Company engaged resources to add an additional layer of review and strengthened the controls over accounting for income taxes. The Company identified the tax-related error as part of the closing process for the fiscal year ended December 31, 2007. The Company intends to enhance its quarterly process to include such a review in the future.

Page 31 of 36

---

**Table of Contents**

**PART II: OTHER INFORMATION**

**Item 1. Legal Proceedings.**

As of the date of this filing, we are not involved in any material legal proceedings. We also were not involved in any material legal proceedings that were terminated during the second quarter of 2007.

**Item 1A. Risk Factors.**

Except as provided below, there has not been a material change to the risk factors disclosed in *Item 1A* of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. The following risk factors have been updated to reflect a change in Utah law allowing control of up to 10 percent of the common stock of the Company instead of the 5 percent threshold as previously reported.

**Risks Relating to Our Common Stock**

***If any entity controls 10 percent or more of our common stock and such entity has caused a violation of applicable banking laws by its failure to obtain any required approvals prior to acquiring that common stock, we have the power to restrict such entity's ability to vote shares held by it.***

As owners of a Utah industrial bank, we are subject to banking regulations that require any entity that controls 10 percent or more of our common stock to obtain the prior approval of the Utah banking authorities and the federal banking regulators. A failure to comply with these requirements could result in sanctions, including the loss of our Utah industrial bank charter. Our certificate of incorporation requires that if any stockholder fails to provide us with satisfactory evidence that any required approvals have been obtained, we may, or will if required by state or federal regulators, restrict such stockholder's ability to vote such shares with respect to any matter subject to a vote of our stockholders.

***Provisions in our charter documents, Delaware law and applicable banking law may delay or prevent our acquisition by a third party.***

Our certificate of incorporation, by-laws and our rights plan contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, a classified board of directors, the elimination of stockholder action by written consent, advance notice for raising business or making nominations at meetings of stockholders, and blank check preferred stock. Blank check preferred stock enables our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with such special dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, and rights to dividends and proceeds in a liquidation that are senior to the common stock, as our board of directors may determine. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding voting common stock. We also are subject to certain provisions of Delaware law, which could delay, deter or prevent us from entering into an acquisition, including Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in a business combination with an interested stockholder unless specific conditions are met. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

In addition, because we own a Utah industrial bank, any purchaser of our common stock who would own 10 percent or more of our common stock after such purchase would be required to obtain the prior consent of Utah banking authorities and the federal banking authorities prior to consummating any such acquisition. These regulatory requirements may preclude or delay the purchase of a relatively large ownership stake by certain potential investors.

**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****Share Repurchases**

The following table provides information about the Company's purchases of shares of the Company's common stock during the quarter ended June 30, 2007:

		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
April 1	April 30, 2007	154,300	\$ 30.77	154,300	\$ 56,093,922
May 1	May 31, 2007	55,700	\$ 31.18	55,700	\$ 54,356,983
June 1	June 30, 2007		\$		\$ 54,356,983
Total		210,000	\$ 30.88	210,000	

<sup>(1)</sup> On February 7, 2007, the Company announced a share repurchase program authorizing the purchase of up to \$75 million of its common stock over the next 24 months. Share repurchases will be made on the open market and may be commenced or suspended at any time. The

Company's management, based on its evaluation of market and economic conditions and other factors, will determine the timing and number of shares repurchased.

**Item 3. Defaults upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

Wright Express Corporation's Annual Meeting of Stockholders was held May 18, 2007. The following matters were voted on:

(a) Election of two directors:

<b>Nominees</b>	<b>Votes For</b>	<b>Votes Withheld</b>	<b>Broker non-votes</b>
Shikhar Ghosh	33,637,000	3,802,653	2
Kirk P. Pond	33,191,120	4,248,533	2

The following directors continued their terms in office:

Jack VanWoerkom

Regina O. Sommer

Michael E. Dubyak

Ronald T. Maheu

Rowland T. Moriarty

G. Larry McTavish

(b) Ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year 2007:

For:	37,420,522
Against:	5,384
Abstain:	13,749
Broker non-votes:	

**Table of Contents**

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Certificate of Incorporation (incorporated by reference to Exhibit No. 3.1 to our current report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426).
3.2	Amended and Restated By-laws of Wright Express Corporation (incorporated by reference to Exhibit No. 3.1 to our current report on Form 8-K filed with the SEC on March 9, 2006, File No. 001-32426).
* 10.1	Form of confirmation evidencing purchases and sales of Nymex Unleaded Regular Gasoline put options and call options by Wright Express Corporation from Bank of America, N.A.
* 10.2	Form of confirmation evidencing purchases and sales of Diesel put options and call options by Wright Express Corporation from Bank of America, N.A.
10.3	Credit Agreement, dated as of May 22, 2007, by and among Wright Express Corporation, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, Banc of America Securities LLC and SunTrust Robinson Humphrey, a division of SunTrust Capital Markets, Inc., as joint lead arrangers and joint book managers, SunTrust Bank, Inc., as syndication agent, BMO Capital Markets, KeyBank National Association, and TD Banknorth, N.A., as co-documentation agents, and the other lenders party thereto (incorporated by reference to Exhibit No. 10.1 to our current report on Form 8-K filed with the SEC on May 29, 2007, File No. 001-32426)
10.4	Guaranty, dated as of May 22, 2007, by and among Wright Express Corporation, the subsidiary guarantors party thereto, and Bank of America, N.A., as administrative agent for the lenders party to the Credit Agreement (incorporated by reference to Exhibit No. 10.2 to our current report on Form 8-K filed with the SEC on May 29, 2007, File No. 001-32426)
** 31.1	Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
** 31.2	Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
** 32.1	Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
** 32.2	Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

\* Previously Filed



\*\* Filed herewith

Page 34 of 36

---

**Table of Contents**

**SIGNATURE**

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

**WRIGHT EXPRESS CORPORATION**

Date: January 31, 2008

By: /s/ Melissa D. Smith  
Melissa D. Smith  
*CFO and Executive Vice President,  
Finance and Operations (Principal  
Financial Officer)*

Page 35 of 36

---

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Certificate of Incorporation (incorporated by reference to Exhibit No. 3.1 to our current report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426).
3.2	Amended and Restated By-laws of Wright Express Corporation (incorporated by reference to Exhibit No. 3.1 to our current report on Form 8-K filed with the SEC on March 9, 2006, File No. 001-32426).
* 10.1	Form of confirmation evidencing purchases and sales of Nymex Unleaded Regular Gasoline put options and call options by Wright Express Corporation Bank of America, N.A.
* 10.2	Form of confirmation evidencing purchases and sales of Diesel put options and call options by Wright Express Corporation from Bank of America, N.A.
10.3	Credit Agreement, dated as of May 22, 2007, by and among Wright Express Corporation, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, Banc of America Securities LLC and SunTrust Robinson Humphrey, a division of SunTrust Capital Markets, Inc., as joint lead arrangers and joint book managers, SunTrust Bank, Inc., as syndication agent, BMO Capital Markets, KeyBank National Association, and TD Banknorth, N.A., as co-documentation agents, and the other lenders party thereto (incorporated by reference to Exhibit No. 10.1 to our current report on Form 8-K filed with the SEC on May 29, 2007, File No. 001-32426)
10.4	Guaranty, dated as of May 22, 2007, by and among Wright Express Corporation, the subsidiary guarantors party thereto, and Bank of America, N.A., as administrative agent for the lenders party to the Credit Agreement (incorporated by reference to Exhibit No. 10.2 to our current report on Form 8-K filed with the SEC on May 29, 2007, File No. 001-32426)
** 31.1	Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
** 31.2	Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
** 32.1	Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
** 32.2	Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

\* Previously Filed

\*\* Filed herewith

