Wright Express CORP
Form 10-K
February 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

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 or organization)	*(I.R.S. Employer Identification No.)*
97 Darling Avenue South Portland, Maine	**04106**
(Address of principal executive offices)	*(Zip Code)*

(207) 773-8171

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

þ Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

¨ Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

þ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
þ

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ *(Do not check if a smaller reporting company)*	Smaller reporting company ¨

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

¨ Yes þ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant (assuming for the purpose of this calculation, but without conceding, that all directors, officers and any 10 percent or greater stockholders are affiliates of the registrant) as of

June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was $1,991,935,715 (based on the closing price of the registrant's common stock on that date as reported on the New York Stock Exchange).

There were 38,691,280 shares of the registrant's common stock outstanding as of February 24, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2012 Annual Meeting of Stockholders are incorporated by reference in Part III.

TABLE OF CONTENTS

All references to we, us, our, Wright Express, or the Company, in the Annual Report on Form 10-K mean Wright Express Corporation and a entities owned or controlled by Wright Express Corporation, except where it is clear that the term means only Wright Express Corporation.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for statements that are forward-looking and are not statements of historical facts. This Annual Report includes forward-looking statements including the Strategy section of this Annual Report in Item 1 and the Outlook for the Future section of this Annual Report in Item 7. Any statements in this Annual Report that are not statements of historical facts may be deemed to be forward-looking statements. When used in this Annual Report, the words may, could, anticipate, plan, continue, proje intend, estimate, believe, expect and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking 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 performance to be materially different from future results or performance expressed or implied by these 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 Annual Report, in press releases and in oral statements made by our authorized officers: the effects of general economic conditions on fueling patterns and the commercial activity of fleets; the effects of the Company s international business expansion and integration efforts and any failure of those efforts; the impact and range of credit losses; breaches of the Company s technology systems and any resulting negative impact on our reputation liability, or loss of relationships with customers or merchants; the Company s failure to successfully integrate the businesses it has acquired; fuel price volatility; the Company s failure to maintain or renew key agreements; failure to expand the Company s technological capabilities and service offerings as rapidly as the Company s competitors; the actions of regulatory bodies, including banking and securities regulators, or possible changes in banking regulations impacting the Company s industrial bank and the Company as the corporate parent; the impact of foreign currency exchange rates on the Company s operations, revenue and income; changes in interest rates; financial loss if the Company determines it necessary to unwind its derivative instrument position prior to the expiration of a contract; the incurrence of impairment charges if our assessment of the fair value of certain of our reporting units changes; the uncertainties of litigation; as well as other risks and uncertainties identified in Item 1A of this Annual Report. Our forward-looking statements and these factors do not reflect the potential future impact of any merger, acquisition or disposition. The forward-looking statements speak only as of the date of the initial filing of this Annual Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

Our Company

Wright Express Corporation is a leading provider of value-based, business payment processing and information management solutions. We provide products and services that meet the needs of businesses in various geographic regions including North America, Asia Pacific and Europe. The Company s Fleet Payment Solutions and Other Payment Solutions segments provide its more than 350,000 customers with security and control for complex payments across a wide spectrum of business sectors. Together with our affiliates, we market our products and services directly, as well as through more than 150 strategic relationships which include major oil companies, fuel retailers and vehicle maintenance providers.

Wright Express Corporation, a Delaware corporation incorporated in 2005, has been publicly traded since February 16, 2005. Before our initial public offering, we conducted business as a privately-held company beginning in 1983. Our growth over the years has largely been organic but has also been supplemented with the following recent acquisitions:

- On March 31, 2011, we acquired certain assets of rapid! Financial Services LLC (rapid! PayCard), a provider of payroll prepaid cards, e-paystubs and e-W2s to small and medium sized businesses in the United States.

- On September 14, 2010, we acquired RD Card Holdings Australia Pty Ltd, (RD). Through its subsidiaries, RD conducted business in Australia as a multi-branded fuel card issuer which now has approximately 350,000 cards in circulation and is an issuer and processor of prepaid cards. Concurrent with the acquisition we established Wright Express Australia Fuel and Wright Express Australia Prepaid (collectively Wright Express Australia).

Our Company is organized under two segments, Fleet Payment Solutions and Other Payment Solutions. The Fleet Payment Solutions segment provides customers with fleet vehicle payment processing services specifically designed for the needs of commercial and government fleets. Fleet Payment Solutions revenue, which represents a majority of our total revenue, is earned primarily from payment processing, account servicing and transaction processing, with the majority generated by payment processing.

The Other Payment Solutions segment provides customers with payment processing solutions for their corporate purchasing and transaction monitoring needs through our corporate purchase card, our prepaid and gift card products and services in Australia and through our payroll prepaid card product and services in the United States. Other Payment Solutions revenue is earned primarily from payment processing revenue.

Our wholly-owned banking subsidiary, Wright Express Financial Services Corporation (FSC), is an Industrial Bank incorporated in 1998 which is an FDIC-regulated depository institution chartered under the laws of the State of Utah. FSC is required to maintain elements of independence to comply with its charter and is required to file separate financial statements with its regulator. The activities performed by FSC are integrated in the operations of each of the Company s two segments. FSC s operations contribute to both segments; the bank raises capital primarily through the issuance of certificates of deposit and provides the financing and makes the credit decisions that enable both segments to extend credit to its domestic customers. All other services are provided by operations outside the bank. FSC approves domestic customer applications, maintains appropriate credit lines for each customer, issues the cards, provides funding and is the counterparty for the customer relationships for most of our domestic programs. Operations such as marketing, merchant relations, customer service, software development and IT are performed within the Wright Express organization but outside of FSC.

We believe the following strengths distinguish us in our industry:

- We are a leading provider of fleet fuel payment services. Our fleet payment solutions are used by 6.6 million commercial and government vehicles to purchase fuel and maintenance services.

- We have long-standing strategic relationships with each of the six largest domestic fleet management companies, and approximately 800 fuel retailers and fuel distributors, convenience store chains and bulk and mobile fuel providers.

- We have built a network of over 180,000 fuel and service providers in the United States, and have the largest fuel based closed-loop network in Australia, which covers more than 10,000 fuel and maintenance sites. This represents over 90 percent fuel coverage in each geography, which provides our customers the convenience of broad acceptance. Our proprietary closed-loop network also affords us access to a higher level of fleet-specific information and control than is widely available on open-loop networks, which allows us to improve and refine the information reporting we provide to our fleet customers and strategic relationships.

We provide innovative corporate purchasing capabilities through our corporate purchase card and payroll card products. These products can be integrated with our customer s internal systems to streamline their payroll, accounts payable and reconciliation processes using our information management functionality.

We offer a differentiated set of products and services, including security and purchase controls, to allow our customers and the customers of our strategic relationships to better manage their vehicle fleets.

We provide customized analysis and reporting on the efficiency of fleet vehicles and the purchasing behavior of fleet vehicle drivers. We make this data available to fleet customers through both traditional reporting services and sophisticated internet-based data analysis tools.

Our proprietary software facilitates the collection of information and affords us a high level of control and flexibility in allowing fleets to restrict purchases and receive automated alerts.

Through our customized websites, customers have access to account and purchase control management, data, reporting and analysis tools which allows them to better monitor and maintain their accounts.

With our ownership of FSC, we have excellent access to low cost sources of capital, which we make available to our domestic customers.

Wright Express Australia Prepaid is a leading processor of prepaid gift cards in Australia, representing over 120 clients and more than 300 card programs.

rapid! PayCard provides a comprehensive PayCard benefit and ePayroll program designed for employers choosing to convert to electronic delivery of payroll in the United States.

Strategy

Our strategy is to leverage our core competitive strengths sales and marketing, portfolio management, customer service and product differentiation to acquire and retain customers and to create products that add value by satisfying new and existing customers' needs.

Our strategic initiatives include:

Extending our leadership position in North America and growing our core fleet business. We intend to build upon the organic growth we achieved in prior years through the use of our various marketing channels. We expect to drive organic growth in our existing customer base by leveraging our competitive advantages and continuing to explore new strategies that bring innovative new products to market.

Further build on our international growth. Building upon the knowledge we have gained through our Wright Express Australia Fuel acquisition, we intend to continue to focus on bolstering our international business. We will look for additional opportunities to leverage our competitive strengths to expand our international business and open avenues for both organic and acquisition driven growth. We also plan to build on the strength of our Wright Express Australia Prepaid business by leveraging our current client base by offering new prepaid card products.

Diversifying our business. To support the opportunity we see in our corporate purchase card and single use account businesses, we plan to expand our sales force and target additional markets. We also plan to grow our rapid! PayCard product by expanding our sales force, utilizing our existing sales force to cross sell, and targeting additional markets. We continue to explore new markets through acquisitions.

FLEET PAYMENT SOLUTIONS SEGMENT

We have created one of the largest proprietary fuel payment processing networks in the United States. We collect a broad array of information at the point of sale including the amount of the expenditure, the identity of the driver and vehicle, the odometer reading, the identity of the fuel or vehicle maintenance provider and the items purchased. We use this information to provide customers with purchase controls and analytical tools to help them effectively manage their vehicle fleets and control costs. We deliver value to our customers by providing customized offerings with accepting merchants, processing payments and providing information management products and services to our fleets.

Our payment processing network, which is deployed at fuel and maintenance locations that use our proprietary software, is referred to as a closed-loop network because we have a direct contractual relationship with the merchant and the fleet; only Wright Express transactions can be processed on this network.

The following illustrates our proprietary closed-loop network:

Our proprietary closed-loop network affords us access to a higher level of fleet-specific information and control than is widely available on open-loop networks and enables us to avoid dependence on third-party processors. Our relationship with both fleets and merchants enables us to provide security and controls and provide customizable reporting.

Products and Services

Payment processing

In a payment processing transaction, we pay the purchase price for the fleet customer's transaction, less the payment processing fees we retain, to the fuel or vehicle maintenance provider, and we collect the total purchase price from the fleet customer, normally within one month from the billing date. Payment processing fees are based on either a combination of both a percentage of the aggregate dollar amount of the customer's purchase and a fixed amount charged per transaction or on a percentage of the aggregate dollar amount of the customer s purchase alone. In 2011, we had approximately 233 million domestic payment processing transactions and approximately 15 million Australian payment processing transactions.

Transaction processing

In a transaction processing transaction we earn a fixed fee per transaction. We processed approximately 52 million domestic transaction processing transactions and approximately 19 million international transaction processing transactions in 2011. There are a variety of levels of services provided in transaction processing, ranging from software replacement to full outsourcing and the revenue we recognize varies with the level of service provided.

The following illustration depicts our business process for a typical payment processing transaction:

In most transaction processing transactions, steps 3 and 4 typically do not apply. However, data capture and information management remain an important part of the value proposition for fleets for whom we perform transaction processing.

Account management

We provide the following account management services:

Customer service, account activation and account retention. We offer customer service, account activation and account retention services to fleets and fleet management companies and the fuel and vehicle maintenance providers on our network. Our services include promoting the adoption and use of our products and programs and account retention programs on behalf of our customers.

Authorization and billing inquiries and account maintenance. We handle authorization and billing questions, account changes and other issues for fleets through our dedicated customer contact centers, which are available 24 hours a day, seven days a week. Fleet customers also have self service options available to them through our *WEXOnline*®, MotorPass® and Motorcharge® websites.

Premium fleet services. We assign designated account managers to businesses and government agencies with large fleets. These representatives have in-depth knowledge of both our programs and the operations and objectives of the fleets they service.

Credit and collections services. We have developed proprietary account approval, credit management and fraud detection programs. Our underwriting model produces a proprietary score, which we use to predict the likelihood of an account becoming delinquent within 12 months of activation. We also use a credit maintenance model to manage ongoing accounts, which allows us to predict the likelihood of account delinquency over an ongoing 18 month time horizon. We have developed a collections scoring model that we use to rank and prioritize past due accounts for collection activities. We also employ fraud specialists who monitor, alert and provide case management expertise to minimize losses and reduce program abuse.

Merchant services. Our representatives work with fuel and vehicle maintenance providers to enroll them in our network, test all network and terminal software and hardware, and train them on our sale, transaction authorization and settlement processes.

Information management

We provide standard and customized information to customers through monthly vehicle analysis reports, custom reports and our websites, *WEXOnline*, MotorPass and Motorcharge. We also alert the customer to unusual transactions or transactions that fall outside of pre-established parameters. Customers can access their account information, including account history and recent transactions, and download the details. In addition, through our websites, fleet managers can elect to be notified by email when limits are exceeded in specified purchase categories, including limits on transactions within a time range and gallons per day. Utilizing our *WEXSmart*™ product which leverages telematics, a vehicle system that combines global positioning satellite tracking and other wireless technology, fleet managers can track the movements and the locations of their vehicles.

Marketing Channels

We market our payment processing and information management products and services to fleets directly and indirectly. Our experienced inside and outside sales forces and our marketing team, which has expertise in direct marketing, database analysis and marketing strategy and execution, facilitate our sales and marketing efforts. We also utilize industry tradeshows, advertising and other awareness campaigns to market our services. By collecting and analyzing customer data acquired over many years, we have created a detailed profile of representative fleet customers and have also developed a proprietary database that allows us to better market to the fleet industry. We provide market opportunity analyses, customer acquisition models and detailed marketing plans to our sales force and in some cases the sales forces of companies with which we have co-branded, affinity, distributor or private label relationships.

Direct

We market our products and services using the Wright Express brand name in North America and the MotorPass and Motorcharge brand names in Australia directly to our commercial and government vehicle fleet customers. These direct customers include fleets of all sizes and vehicle categories. We use our inside sales force to attract small fleets, such as contracting, landscaping and plumbing businesses. Our mid-size fleet customers are typically regional businesses, such as dairies, beverage companies and grocery chains. We use our outside sales force to market to these customers. Our small and mid-size fleets are attracted to our account management services to help manage their fleets. Our large fleet customers consist of national and large regional fleets. In marketing our products and services to these customers, we emphasize our ability to offer national site acceptance, a high level of customer service, and on-line tools to monitor, control and customize their fleet management capabilities. To attract and retain large fleet customers, we use both our outside sales force, focusing on the acquisition of new customers, and internal account managers, who focus on servicing and growing revenue from existing customers.

Indirect

We market our products and services indirectly through co-branded, affinity, distributor and private label relationships.

Co-branded. Through our co-branded relationships, we market our products and services for, and in collaboration with, fleet management companies, fuel providers and convenience store chains using their brand names and our Wright Express logo. These companies seek to offer our payment processing and information management services to their fleet customers.

We use our co-branded relationships to reach all sizes of fleet customers. We are able to expand the base of customers to whom we provide our products and services by combining the marketing and sales efforts of our own sales force with the efforts of the sales forces of our co-branded partners. Our co-branded relationships are able to take advantage of our closed-loop network and our ability to offer national site acceptance.

Affinity. Similar to the co-branded relationships, our affinity relationships are marketed in collaboration with fuel providers and convenience store chains. The products and services we deliver are designed to foster loyalty to the fuel provider or convenience store chain as the program is marketed as their own. However, these products allow for the same level of payment processing and information management products and services as are received by the companies using our co-branded programs. Our affinity relationships are able to take advantage of our closed-loop network.

Distributor. Through our distributor relationships, we market our products and services through a network of independent Pacific Pride fuel franchisees. Franchisees issue their own Pacific Pride commercial fueling cards to fleet customers. Vehicles in this program have access to fuel at Pacific Pride and strategic partner locations in the United States and Canada. We increase penetration to these customers by leveraging Pacific Pride's local market presence and brand recognition, as well as its platform and products for commercial and government fleets. We also service distributors through the Wright Express Distributor program, which provides fuel merchants with payment processing and information management products and services for their own fleets.

Private Label. We market our product and services for, and in collaboration with, fuel retailers, using only their brand names. The fuel retailers with which we have formed strategic relationships offer our payment processing and information management product and services to their fleet customers in order to establish and enhance customer loyalty. These fleets use these products and services to purchase fuel at locations of the fuel retailer with whom we have the private label relationship. Customers of our private label partners are typically small fleets. The fleet drivers often do not travel beyond a defined geographic area and are not unduly burdened by limiting their fuel purchases to the fuel locations of a particular fuel retailer within that area. We primarily rely on the marketing efforts of our private label relationships to attract customers; however, many of these fuel retailers also rely on our sales and marketing expertise to further their efforts.

Fuel Price Derivatives

During 2011, approximately 47 percent of our total revenues resulted from fees paid to us by fuel providers based on a negotiated percentage of the purchase price of fuel purchased by our customers. To address fluctuations in fleet revenue streams resulting from changes in fuel prices, we purchase fuel price sensitive derivative instruments to manage volatility created by changes in domestic fuel prices on our cash flows and to enhance the visibility and predictability of future cash flows. We have entered into put and call option contracts (Options) indexed to the wholesale price of unleaded gasoline and the retail price of diesel fuel, both of which contain monthly settlement provisions. When entering into the Options, our intent is to effectively lock in a range of prices during any given quarter on a portion of our North America forecasted earnings that are subject to fuel price variations. We have estimated the effect on our forecasted earnings exposure associated with changes in fuel prices and entered into derivative agreements designed to cover 80 percent of this estimated impact for our North American exposure, which approximates 65 percent to 70 percent of our worldwide fuel related earnings exposure. Differences between the indices underlying the Options and the actual retail prices may create a disparity between the actual revenues we earn and the gains or losses realized on the Options.

Our derivative instruments do not qualify for hedge accounting under accounting guidance. Accordingly, gains and losses on our fuel price-sensitive derivative instruments, whether they are realized or unrealized, affect our current period earnings.

The Options are intended to limit the impact fuel price fluctuations have on our cash flows. The Options that we have entered into:

- *Create a floor price*. When the current month put option contract settles, we receive cash payments from the counterparties of the Options when the average price for the current month (as defined by the option contract) is below the strike price of the put option contract.

- *Create a ceiling price*. When the current month call option contract settles, we make cash payments to the counterparties of the Options when the average price for the current month (as defined by the option contract) is above the strike price of the call option contract.

When the current month put and call option contracts settle and the average price for the current month (as defined by the option contract) is between the strike price of the put option contract and the strike price of the call option contract, no cash is exchanged between the counterparties and us.

The following table presents information about the Options as of December 31, 2011:

		North American Weighted-Average Price[b]	
	Percentage[a]	Floor	Ceiling
For the period January 1, 2012 through March 31, 2012	80%	$ 3.09	$ 3.15
For the period April 1, 2012 through June 30, 2012	80%	$ 3.32	$ 3.38
For the period July 1, 2012 through September 30, 2012	80%	$ 3.45	$ 3.51
For the period October 1, 2012 through December 31, 2012	80%	$ 3.46	$ 3.52
For the period January 1, 2013 through March 31, 2013	53%	$ 3.35	$ 3.41
For the period April 1, 2013 through June 30, 2013	27%	$ 3.33	$ 3.39

(a) Represents the estimated hedge percentage of the Company's forecasted North American earnings subject to fuel price variations at the time of purchase.
(b) Weighted-average price is the Company's projection of the North American retail price equivalent of the underlying strike price of the fuel price derivatives.

OTHER PAYMENT SOLUTIONS SEGMENT

We issue corporate purchase card, prepaid card and payroll card products as described below. Our corporate purchase card products provide commercial travel and entertainment and purchase capabilities to businesses in industries that can utilize our information management functionality. The corporate purchase card products can be sold jointly with the fleet card product to offer a total payment solution to companies. Additionally, our single use account product allows businesses to centralize purchasing, simplify complex supply chain processes and eliminate the paper check writing associated with traditional purchase order systems. Our prepaid card products are primarily offered in Australia through our Wright Express Australia Prepaid subsidiary. Our payroll card products are offered through our rapid! PayCard product.

Products and Services

Corporate purchase card

Our corporate purchase card provides commercial travel and entertainment and purchase capabilities to businesses that benefit from our information management functionality. The product can be sold jointly with the fleet card product to offer a total corporate payment solution to companies.

Single use product

Our single use account product allows businesses to centralize purchasing, simplify complex supply chain processes and eliminate the paper check writing associated with traditional purchase order programs. Our single use account product is used for transactions where no card is presented, including, for example, transactions conducted over the telephone, by mail, fax or on the Internet. They also can be used for transactions that require pre-authorization, such as hotel reservations. Under this program, each transaction is assigned a unique account number and expiration date. These controls are in place to limit fraud and unauthorized spending. The unique account number limits purchase amounts, tracks, settles and reconciles purchases more easily, creating efficiencies and cost savings for our customers.

Prepaid card

Wright Express Australia Prepaid is a leading prepaid gift card payment solution provider in Australia, with a full-service product offering and a patented technology platform. The prepaid cards are restricted to a single merchant or a limited group of retailers. This category includes gift cards, general purpose prepaid cards and travel cards. Through our website, www.giftvouchers.com®, customers are able to purchase third party retailer gift vouchers that can be redeemed in-store or on-line at retailers' web sites.

Payroll card

Payroll card products, issued through our rapid! PayCard product and using the VISA network, focus on employer payroll programs, providing payroll prepaid cards, e-paystubs and e-W2s in the United States.

Marketing Channels

We market our other payment solutions directly to our customers in conjunction with our fleet offerings, as well as to potential new clients with whom we have no existing relationship. Our corporate purchase products are marketed to commercial and government organizations and we leverage the marketing, advertising and network of MasterCard.

We market our prepaid and corporate incentive payment solutions in Australia directly to a large number of blue chip brand stores, government departments and service organizations. Our rapid! PayCard product is marketed to small and medium sized business in the United States, replacing paper employee payroll checks.

OTHER ITEMS

Employees

As of December 31, 2011, Wright Express Corporation and its subsidiaries had 899 employees, of which, 740 were located in the United States. None of our employees are subject to a collective bargaining agreement.

Competition

We have a strong competitive position in our Fleet Payment Solutions and Other Payment Solutions segments. Our product features and extensive account management services are key factors behind our position in the fleet industry. We face competition in both of our segments. Our competitors vie with us for prospective direct fleet customers as well as for companies with which we form strategic relationships. We compete with companies that perform payment and transaction processing or similar services. Financial institutions that issue Visa, MasterCard and American Express credit and charge cards currently compete against us primarily in the small fleet category of our Fleet Payment Solutions segment and in the corporate purchase card category of our Other Payment Solutions segment.

The most significant competitive factors are breadth of features, functionality, servicing capability and price. For more information regarding risks related to competition, see the information in Item 1A, under the heading Our industry continues to become increasingly competitive, which makes it more difficult for us to maintain profit margins at historical levels.

Technology

We believe investment in technology is a crucial step in maintaining and enhancing our competitive position in the market place. In the United States, our closed loop proprietary software captures comprehensive information from the more than 180,000 domestic fuel and maintenance locations within our network. Operating a proprietary network not only enhances our value proposition, it enables us to avoid dependence on third-party processors in the Fleet Payment Solutions segment and to respond rapidly to changing customer needs with system upgrades and new specifications, while maintaining a secure environment. Our infrastructure has been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences.

In Australia we operate standalone platforms to service Wright Express Australia Fuel and Wright Express Australia Prepaid transactions. All of the development, maintenance and support of each card management system are performed within the respective business. We continue to invest in both infrastructures.

We are continually improving our technology to enhance the customer relationship and to increase efficiency and security. We also review technologies and services provided by others in order to maintain the high level of service expected by our customers. For information regarding technology related risks, see the information in Item 1A under the headings Our failure to effectively implement new technology could jeopardize our position as a leader in our industry, and We are dependent on technology systems and electronic communications networks managed by third parties, which could result in our inability to prevent service disruptions.

Intellectual Property

We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect proprietary information and technology used in our business. We generally enter into confidentiality or license agreements with our consultants and corporate partners, and generally control access to and distribution of our technology, documentation and other proprietary information. Despite the efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. We pursue registration and protection of our trademarks primarily in the United States. In addition, we have obtained a provisional patent on our Precision Pay product and have filed an application for a patent on our adjusted odometer reporting product. Wright Express Australia Fuel and Prepaid holds patents which are registered in Australia, as well as in the United Kingdom, Hong Kong and New Zealand. We market our products and services using the Wright Express brand names in the United States and the MotorPass and Motorcharge brand names in Australia.

Regulation United States

The Company and FSC are subject to certain state and federal laws and regulations governing insured depository institutions and their affiliates. FSC is subject to supervision and examination by both the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation. The Company and FSC are also subject to certain restrictions on transactions with affiliates set forth in the Federal Reserve Act (FRA). The Company is subject to anti-tying provisions in the Bank Holding Company Act. State and Federal laws and regulations limit the loans FSC may make to one borrower and the types of investments FSC may make.

Set forth below is a description of the material elements of the laws, regulations, policies and other regulatory matters affecting the North America operations of Wright Express.

Restrictions on intercompany borrowings and transactions

The FRA restricts the extent to which the Company may borrow or otherwise obtain credit from, sell assets to or engage in certain other transactions with FSC. In general, these restrictions require that any such extensions of credit by FSC to the parent company must be fully secured. There is no limit on those transactions to the extent they are secured by a cash deposit or pledged United States government securities. It is also possible to pledge designated amounts of other specified kinds of collateral if the aggregate of those transactions are limited to 10 percent of FSC s capital stock and surplus with respect to any single affiliate and to 20 percent of FSC's capital stock and surplus with respect to all affiliates.

Restrictions on dividends

The FRA also limits the dividends FSC may pay to the Company. In addition, FSC is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. A state or federal regulatory authority can determine, under certain circumstances relating to the financial condition of a bank, that the payment of dividends would be an unsafe or unsound practice and can prohibit payment. FSC may not pay a dividend to the Company if it is undercapitalized or would become undercapitalized as a result of paying the dividend. Utah law permits an industrial bank to pay dividends only from undivided earnings.

Company obligations to FSC

Any non-deposit obligation of FSC to the Company is subordinate, in right of payment, to deposits and other indebtedness of FSC. In the event of the Company s bankruptcy, any commitment by the Company to a federal bank regulatory agency to maintain the capital of FSC will be assumed by the bankruptcy trustee and entitled to priority of payment.

Restrictions on ownership of Wright Express common stock

FSC, and therefore the Company, is subject to bank regulations that impose requirements on entities that control 10 percent or more of Wright Express common stock. These requirements are discussed in detail in Item 1A under the heading 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.

Regulation Australia

The Company s Australian operations are subject to certain laws and regulations of the Commonwealth of Australia governing banking and payment systems, financial services, consumer credit and money laundering. Because neither Wright Express Australia Fuel nor Prepaid holds an Australian Financial Services License or credit license or is an authorized deposit-taking institution, they operate within a framework of regulatory relief and exemptions afforded them on the basis that they satisfy the requisite conditions.

Segments and Geographic Information

For an analysis of financial information about our segments as well as our geographic areas, see Item 8 Note 20 of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Available Information

The Company s principal executive offices are located at 97 Darling Avenue, South Portland, ME 04106. Our telephone number is (207) 773-8171, and our Internet address is http://www.wrightexpress.com. The Company's annual, quarterly and current reports, proxy statements and certain other information filed with the SEC, as well as amendments thereto, may be obtained free of charge from our web site. These documents are posted to our web site as soon as reasonably practicable after we have filed or furnished these documents with the SEC. These documents are also available at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. The Company's Audit Committee Charter, Compensation Committee Charter, Finance Committee Charter, Corporate Governance Committee Charter, Corporate Governance Guidelines and codes of conduct are available without charge through the Corporate Governance portion of the Investor Relations page of the Company's web site, as well.

Copies will also be provided, free of charge, to any stockholder upon written request to Investor Relations at the address above or by telephone at (866) 230-1633.

The Company s Internet site and the information contained on it are not incorporated into this Form 10-K.

ITEM 1A. RISK FACTORS

Risks Relating to Our Company

A significant portion of our revenues are related to the dollar amount of fuel purchased by our customers, and, as a result, volatility in fuel prices could have an adverse effect on our revenues.

As of December 31, 2011, approximately 47 percent of our total revenues result from fees paid to us by fuel providers based on a negotiated percentage of the purchase price of fuel purchased by our customers. Our customers primarily purchase fuel. Accordingly, part of our revenues are dependent on fuel prices, which are prone to volatility in the United States. For example, we estimate that during 2011, a one cent decline in average fuel prices below average actual prices would have resulted in approximately a $0.8 million decline in 2011 revenue. Declines in the price of fuel could have a material adverse effect on our total revenues.

Fuel prices are dependent on many factors, all of which are beyond our control. These factors include, among others:

- supply and demand for oil and gas, and expectations regarding supply and demand;
- speculative trading;
- actions by major oil exporting nations;
- political conditions in other oil-producing, gas-producing or supply-route countries, including revolution, insurgency, terrorism or war;
- refinery capacity;
- weather;
- the prices of foreign exports and the availability of alternate fuel sources;
- value of the U.S. dollar versus other major currencies;
- general worldwide economic conditions; and
- governmental regulations and tariffs.

Derivative transactions may not adequately stabilize our cash flows and may cause volatility in our earnings.

Because a significant portion of our revenues are subject to fuel price volatility, we utilize fuel price sensitive derivative instruments to manage our exposure to this volatility in North America by seeking to limit fluctuations in our cash flows. For a more detailed discussion of these derivative instruments see our "Fuel Price Derivatives" discussion in Item 1. These instruments may expose us to the risk of financial loss if, for example, we unwind our position before the expiration of the contract or there is a significant change in fuel prices. The success of our fuel price derivatives program depends upon, among other things, our ability to forecast the amount of fuel purchased by fleets using our services in North America and the percentage based fee we will earn from merchants. To the extent our forecasts are inaccurate these derivative contracts may be inadequate to protect us against significant changes in fuel prices or over-expose us to fuel price volatility. Realized and unrealized gains and losses on these contracts are recorded each quarter to reflect changes in the market value of the underlying contracts. As a result, our quarterly net income may be prone to significant volatility.

If we fail to adequately assess and monitor credit risks of our customers, we could experience an increase in credit loss.

We are subject to the credit risk of our customers, many of which are small to mid-sized businesses. We use various formulae and models to screen potential customers and establish appropriate credit limits, but these formulae and models cannot eliminate all potential bad credit risks and may not prevent us from approving applications that are fraudulently completed. Moreover, businesses that are good credit risks at the time of application may become bad credit risks over time and we may fail to detect such change. In times of economic slowdown, the number of our customers who default on payments owed to us tends to increase. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than it has been in the past.

Our exposure to counterparty credit risk could create an adverse affect on our financial condition.

We engage in a number of transactions where counterparty credit risk is a relevant factor. Specifically, we have fuel price derivatives and interest rate swaps whose values at any point in time are dependent upon not only the market but also the viability of the counterparty. The failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss in these situations. Financial institutions, primarily banks, have historically been our most significant counterparties.

In an increasing interest rate environment, interest expense on the variable rate portion of our borrowings on our credit facility would increase and we may not be able to replace our maturing debt with new debt that carry the same interest rates.

We had $295.3 million of variable interest rate indebtedness outstanding at December 31, 2011, under our credit agreement, of which we had borrowings of $268 million on our credit facility that bore interest at a floating rate equal to the one-month LIBOR plus 150 basis points, and $27 million is based on the prime rate plus 50 basis points. During 2010 we entered into an interest rate swap contract that ends in March 2012 that fixed the interest rate on $150 million of our variable rate revolving credit facility. Rising interest rates would result in reduced net income.

Our industrial bank subsidiary, FSC, uses certificates of deposit and interest-bearing money-market deposits, or collectively Brokered Deposits, to finance payments to major oil companies. Certificate of deposits carry fixed rates from issuance to maturity. The interest-bearing money market deposits carry variable rates. Upon maturity, the deposits will likely be replaced by issuing new deposits to the extent that they are needed. In a rising interest rate environment, FSC would not be able to replace maturing deposits with deposits that carry the same interest rates. Rising interest rates would result in reduced net income to the extent that certificates of deposit and money market deposits mature and are replaced. At December 31, 2011, FSC had outstanding $490.9 million in certificates of deposit maturing within one year and $89.3 million in certificates of deposit maturing within one to two years; and $103.1 million in interest-bearing money market deposits.

Decreased demand for fuel and other vehicle products and services could harm our business and results of operations.

Demand for fuel and other vehicle products and services may be reduced by factors that are beyond our control, such as the implementation of fuel efficiency standards and the development by vehicle manufacturers and adoption by our fleet customers of vehicles with greater fuel efficiency or alternative fuel sources.

Our business is dependent on several key strategic relationships, the loss of which could adversely affect our results of operations.

Revenue we received from services we provided to our top five strategic relationships accounted for approximately 21 percent of our total revenues in 2011. Accordingly, we are dependent on maintaining our strategic relationships and our results of operations would be lower in the event that these relationships were terminated.

Likewise, we have agreements with the major oil companies and fuel retailers whose locations accept our payment processing services. The termination of any of these agreements would reduce the number of locations where our payment processing services are accepted; therefore, we could lose our competitive advantage and our operating results could be adversely affected.

We may never realize the anticipated benefits of acquisitions we have completed or may undertake.

We have acquired and may attempt to acquire businesses, technologies, services, products or licenses in technologies that we believe are a strategic fit with our business. The process of integrating any acquired business, technology, service or product may result in unforeseen operating difficulties and expenditures and may divert significant management attention from our ongoing business operations. As a result, we may incur a variety of costs in connection with acquisitions and may never realize the anticipated benefits.

We are exposed to risks associated with operations outside of the United States, which could harm both our domestic and international operations.

We conduct operations in North America, Asia Pacific and Europe. As part of our business strategy and growth plan, we plan to further expand internationally. Expansion of our international operations could impose substantial burdens on our resources, divert management s attention from domestic operations and otherwise harm our business. In addition, there are many barriers to competing successfully in the international market, including:

- changes in the relations between the United States and foreign countries;
- actions of foreign or United States governmental authorities affecting trade and foreign investment;
- regulations on repatriation of funds;
- increased infrastructure costs including complex legal, tax, accounting and information technology laws and treaties;
- interpretation and application of local laws and regulations including, among others, those impacting anti-money laundering, bribery, financial transaction reporting and positive balance or prepaid cards;
- enforceability of intellectual property and contract rights;
- potentially adverse tax consequences;
- local labor conditions and regulations; and
- fluctuation in foreign currencies.

We cannot assure you that our investments outside the United States will produce desired levels of revenue or costs, or that one or more of the factors listed above will not harm our business.

We may incur impairment charges on goodwill or other intangible assets.

We account for goodwill in accordance with Financial Accounting Standards Board, or FASB, Accounting Standard Codification, or ASC, Topic 350, Intangibles *Goodwill and Other*. Our reporting units and related indefinite-lived intangible assets are tested annually during the fourth fiscal quarter of each year in order to determine whether their carrying value exceeds their fair value. In addition, they are tested on an interim basis if an event occurs or circumstances change between annual tests that would more likely than not reduce their fair value below carrying value. If we determine the fair value of the goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of the tests, an impairment loss is recognized. Any such write-down could adversely affect our results of operations.

Our goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically from downturns in customer demand and other factors, the high level of competition existing within our industry, and the level of overall economic activity. Individual reporting units may be relatively more impacted by these factors than the company as a whole. As a result, demand for the services of one or more of the reporting units could decline which could adversely affect our operations and cash flow, and could result in an impairment of goodwill or intangible assets. As a result of our annual impairment analysis during the fourth quarter of fiscal 2011, we have determined that the fair value of the goodwill or other indefinite-lived intangible assets are greater than their carrying values, thus no impairment charge was recorded. Because the acquisitions of the assets of rapid! Financial Services LLC, or rapid! PayCard, and of RD Card Holdings Australia Pty Ltd. were completed recently, our analysis also indicated that the fair values of rapid! PayCard and Wright Express Australia units closely approximate the carrying value. Although an impairment charge is not warranted at this time, if actual results deteriorate versus our assumptions in the valuation, the potential exists for an impairment in the rapid! PayCard and Wright Express Australia reporting units. Similarly, for all other reporting units, while we currently believe that the fair value of all of our intangibles substantially exceeds carrying value and that those intangibles so classified will contribute indefinitely to the cash flows of the Company, materially different assumptions regarding future performance of our reporting units or the weighted-average cost of capital used in the valuations could result in impairment losses and/or amortization expense.

Volatility in the financial markets may negatively impact our ability to access credit.

Adverse conditions in the credit market may limit our ability to access credit at a time when we would like or need to do so. Our revolving credit facility and term note expire in May 2016 when the outstanding balance will be due. Any limitation of availability of funds or credit facilities could have an impact on our ability to refinance the maturing debt or react to changing economic and business conditions which could adversely impact us.

Volatility in the financial markets may negatively impact FSC s ability to attract deposits.

Adverse conditions in the credit market may limit FSC s ability to attract deposits at a time when we would like or need to do so. Any limitation of availability of deposits could have an impact on our ability to finance our domestic accounts receivable which could adversely impact us.

The loss or suspension of the charter for our Utah industrial bank or changes in regulatory requirements could be disruptive to operations and increase costs.

FSC s bank regulatory status enables FSC to issue certificates of deposit, accept money market deposits and borrow on a federal funds rate basis. These funds are used to support our domestic payment processing operations, which require the Company to make payments to fuel and maintenance providers on behalf of fleets. FSC operates under a uniform set of state lending laws, and its operations are subject to extensive state and federal regulation. FSC is regulated and examined by the Utah Department of Financial Institutions on the state level, and the Federal Deposit Insurance Corporation on the federal level. Continued licensing and federal deposit insurance are subject to ongoing satisfaction of compliance and safety and soundness requirements. FSC must be well capitalized and satisfy a range of additional capital requirements. If FSC were to lose its bank charter, Wright Express would either outsource its credit support activities or perform these activities itself, which would subject the Company to the credit laws of each individual state in which Wright Express conducts business. Furthermore, Wright Express could not be a MasterCard issuer and would have to work with another financial institution to issue the product or sell the portfolio. Any such change would be disruptive to Wright Express' operations and could result in significant incremental costs. In addition, changes in the bank regulatory environment, including the implementation of new or varying measures or interpretations by the State of Utah or the federal government, may significantly affect or restrict the manner in which the Company conducts business domestically in the future.

We may not be able to adequately protect the data we collect about our customers, which could subject us to liability and damage our reputation.

We collect and store data about our customers and their fleets, including bank account information and spending data. Our customers expect us to keep this information in our confidence. If hackers or other unauthorized persons are successful in penetrating our network security they could misappropriate our proprietary information or cause interruptions in our *WEXOnline* web site. We are required to expend capital and other resources to protect against the threat of such security breaches, and may be required to expend significant capital and other resources to alleviate problems caused by any such breaches. Moreover, any security breach or inadvertent transmission of information about our customers could expose us to liability in excess of any applicable insurance policies, litigation and/or cause damage to our reputation.

Our failure to effectively implement new technology could jeopardize our position as a leader in our industry.

As a provider of information management and payment processing services, we must constantly adapt and respond to the technological advances offered by our competitors and the informational requirements of our customers, including those related to the Internet, in order to maintain and improve upon our competitive position. We may not be able to expand our technological capabilities and service offerings as rapidly as our competitors, which could jeopardize our position as a leader in our industry.

We are dependent on technology systems and electronic communications networks managed by third parties, which could result in our inability to prevent service disruptions.

Our ability to process and authorize transactions electronically depends on our ability to electronically communicate with our fuel and vehicle maintenance providers through point-of-sale devices and electronic networks that are owned and operated by third parties. The electronic communications networks upon which we depend are often subject to disruptions of various magnitudes and durations. Any severe disruption of one or all of these networks could impair our ability to authorize transactions or collect information about such transactions, which, in turn, could harm our reputation for dependable service and adversely affect our results of operations. In addition, our ability to collect enhanced data relating to our customers purchases may be limited by the use of older point-of-sale devices by fuel and vehicle maintenance providers. To the extent that fuel and vehicle maintenance providers within our network are slow to adopt advanced point-of-sale devices, we may not be able to offer the services and capabilities our customers demand.

Our industry continues to become increasingly competitive, which makes it more challenging for us to maintain profit margins at historical levels.

We face and expect to continue to face increased levels of competition in each category of the overall industry from several companies that seek to offer competing capabilities and services. Historically, we have been able to provide customers with a wide spectrum of services and capabilities and, therefore, we have not considered price to be the exclusive or even the primary basis on which we compete. As our competitors have continued to develop their service offerings, it has become increasingly more challenging for us to compete solely on the basis of superior capabilities or service. In some areas of our business we have been forced to respond to competitive pressures by reducing our fees. We have seen erosion of our historical profit margins as we encourage existing strategic relationships to sign long-term contracts. If these trends continue and if competition intensifies, our profitability may be adversely impacted.

While we have traditionally offered our services to all categories of the fleet industry, some of our competitors have successfully garnered significant share in particular categories of the overall industry. To the extent that our competitors are regarded as leaders in specific categories, they may have an advantage over us as we attempt to further penetrate these categories.

We also face increased competition in our efforts to enter into new strategic relationships and renew existing strategic relationships on the same terms.

Fluctuations in foreign currency exchange rates could affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Such currencies include the Australian dollar, euro, New Zealand dollar and British pound sterling. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our revenues, operating income and the value of balance sheet items denominated in foreign currencies. We cannot assure that fluctuations in foreign currency exchange rates, particularly fluctuations in the U.S. dollar against other currencies, will not materially affect our financial results.

We may incur substantial losses due to fraudulent use of our charge cards.

Under certain circumstances, when we fund customer transactions, we bear the risk of substantial losses due to fraudulent use of our charge cards. We do not maintain any insurance to protect us against any such losses.

If we fail to maintain effective systems of internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud, which could cause current and potential shareholders to lose confidence in our financial reporting, adversely affect the trading price of our securities or harm our operating results.

Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. Our financial reporting and disclosure controls and procedures are reliant, in part, on information we receive from third parties that supply information to us regarding transactions that we process. Any failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results, or cause us to fail to meet our reporting obligations. As we complete acquisitions and expand our business operations both within the United States and internationally, we will need to maintain effective internal controls over financial reporting and disclosure control and procedures. If we are unable to adequately maintain our internal control over financial reporting, our external auditors will not be able to issue an unqualified opinion on the effectiveness of our internal control over financial reporting.

Ineffective internal control over financial reporting and disclosure controls and procedures could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities or affect our ability to access the capital markets and could result in regulatory proceedings against us by, among others, the SEC. In addition, a material weakness in internal control over financial reporting, which may lead to deficiencies in the preparation of financial statements, could lead to litigation claims against us. The defense of any such claims may cause the diversion of management's attention and resources, and we may be required to pay damages if any such claims or proceedings are not resolved in our favor. Any litigation, even if resolved in our favor, could cause us to incur significant legal and other expenses. Such events could harm our business, affect our ability to raise capital and adversely affect the trading price of our securities.

Our ability to attract and retain qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We believe our employees, including our executive management team, are our most important resource and, in our industry and geographic area, competition for qualified personnel is intense. If we were unable to retain and attract qualified employees, our performance could be materially adversely affected.

Historical transactions with our former parent company may adversely affect our financial statements.

Historical transactions involving Avis Budget Group, Inc., or Avis (formerly Cendant Corporation), our former corporate parent, and our other former affiliates such as Realogy Corporation and Wyndham Worldwide Corporation, may be reviewed from time to time by external parties, that may include government regulatory organizations and tax authorities. The decision by one or more of these organizations to undertake a review is beyond our control. While management does not believe, nor has any knowledge of, any transaction that would be in error or otherwise adjusted, corrections to the financial statements of Avis, or its successor or its current or former affiliates, could adversely affect our financial statements.

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 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.

Our stockholder rights plan could prevent you from receiving a premium over the market price for your shares of common stock from a potential acquirer.

Our board of directors approved a stockholder rights plan, which entitles our stockholders to acquire shares of our common stock at a price equal to 50 percent of the then current market value in limited circumstances when a third party acquires 15 percent or more of our outstanding common stock or announces its intent to commence a tender offer for at least 15 percent of our common stock, in each case, in a transaction that our board of directors does not approve. The existence of these rights would significantly increase the cost of acquiring control of our Company without the support of our board of directors because, under these limited circumstances, all of our stockholders, other than the person or group who caused the rights to become exercisable, would become entitled to purchase shares of our common stock at a discount. The existence of the rights plan could therefore deter potential acquirers and thereby reduce the likelihood that our stockholders will receive a premium for their common stock in an acquisition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All of our facilities are leased, including our 67,000 square foot corporate headquarters in South Portland, Maine. We lease five smaller buildings in the South Portland area. Four of these buildings, totaling 83,500 square feet, are used for technical and customer service employees. The fifth building is 7,500 square feet and is our warehouse. We lease 11,500 square feet of office space in Midvale, Utah to support our bank operations and a second call center location. We lease 5,400 square feet in Louisville, Kentucky to support our fleet fuel operations. We lease 10,000 square feet of space in Salem, Oregon to support Pacific Pride. We lease 2,300 square feet of space in Tampa, Florida to support our rapid! PayCard operations. We lease 21,500 square feet of space in Melbourne, Australia to support Wright Express Australia Fuel, 7,400 square feet of space in Sydney, Australia to support Wright Express Australia Prepaid and 2,000 square feet of space in Perth, Australia to support Wright Express Australia Fuel. We lease 13,500 square feet of space in Auckland, New Zealand and 200 square feet of space in Guildford, England to support Wright Express International. These facilities are adequate for our current use. Additional financial information about our leased facilities appears in Item 8 Note 17 of our consolidated financial statements.

ITEM 3. 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 fourth quarter of 2011. From time to time, we are subject to legal proceedings and claims in the ordinary course of business. We do not believe the outcome of any of pending litigation will have a material adverse effect on our financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The principal market for the Company's common stock is the New York Stock Exchange (NYSE) and our ticker symbol is WXS. The following table sets forth, for the indicated calendar periods, the reported intraday high and low sales prices of the common stock on the NYSE Composite Tape:

	High	Low
2010		
First quarter	$ 33.53	$ 27.63
Second quarter	$ 35.97	$ 29.14
Third quarter	$ 36.58	$ 28.58
Fourth quarter	$ 46.97	$ 35.41
2011		
First quarter	$ 54.35	$ 45.27
Second quarter	$ 57.13	$ 47.03
Third quarter	$ 54.77	$ 36.79
Fourth quarter	$ 56.30	$ 35.74

As of February 24, 2012, the closing price of our common stock was $63.63 per share, there were 38,691,280 shares of our common stock outstanding and there were 6 holders of record of our common stock.

Dividends

The Company has not declared any dividends on its common stock since it commenced trading on the NYSE on February 16, 2005. The timing and amount of future dividends will be (i) dependent upon the Company's results of operations, financial condition, cash requirements and other relevant factors, (ii) subject to the discretion of the Board of Directors of the Company and (iii) payable only out of the Company's surplus or current net profits in accordance with the General Corporation Law of the State of Delaware.

The Company has certain restrictions on the dividends it may pay under its revolving credit agreement. If the Company's leverage ratio is higher than 1.75, the Company may pay no more than $25 million per annum for restricted payments, including dividends.

Share Repurchases

The following table provides information about the Company's purchases of shares of the Company's common stock during the quarter ended December 31, 2011:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly	Approximate Dollar Value of Shares that May Yet Be

		Announced Plans or Programs [a]		Purchased Under the Plans or Programs [a]
October 1 October 31, 2011	$		$	48,633,132
November 1 November 30, 2011	$		$	48,633,132
December 1 December 31, 2011	$		$	48,633,132
Total	$		$	48,633,132

21

(a) 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. In July 2008, our board of directors approved an increase of $75 million to the share repurchase authorization. In addition, our board of directors extended the share repurchase program to July 25, 2013. We have been authorized to purchase, in total, up to $150 million of our common stock. 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 6. SELECTED FINANCIAL DATA

The following table sets forth our summary historical financial information for the periods ended and as of the dates indicated. You should read the following historical financial information along with Item 7 contained in this Form 10-K and the consolidated financial statements and related notes thereto. The financial information included in the table below is derived from audited financial statements:

	Year ended December 31,				
(in thousands, except per share data)	**2011**	2010	2009	2008	2007
Income statement information					
Total revenues	**$ 553,076**	$ 390,406	$ 315,203	$ 388,159	$ 336,128
Total operating expenses	**$ 319,752**	$ 239,697	$ 197,053	$ 226,727	$ 184,036
Financing interest expense	**$ 11,676**	$ 5,314	$ 6,210	$ 11,859	$ 12,677
Net realized and unrealized (losses) gains on fuel price derivatives	**$ (11,869)**	$ (7,244)	$ (22,542)	$ 55,206	$ (53,610)
Net income	**$ 133,622**	$ 87,629	$ 139,659	$ 127,640	$ 51,577
Basic earnings per share	**$ 3.45**	$ 2.28	$ 3.65	$ 3.28	$ 1.29
Weighted average basic shares of common stock outstanding	**38,686**	38,486	38,303	38,885	40,042
Balance sheet information, at end of period					
Total assets	**$ 2,278,060**	$ 2,097,951	$ 1,499,662	$ 1,611,855	$ 1,785,076
Liabilities and stockholders equity					
All liabilities except preferred stock	**$ 1,568,745**	$ 1,538,944	$ 1,048,346	$ 1,307,193	$ 1,570,817
Preferred stock			10,000	10,000	10,000
Total stockholders' equity	**709,315**	559,007	441,316	294,662	204,259
Total liabilities and stockholders equity	**$ 2,278,060**	$ 2,097,951	$ 1,499,662	$ 1,611,855	$ 1,785,076

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
2011 Highlights and Year in Review

During 2011, we focused on international growth, growing our domestic customer base and customer retention. Our results for the year were impacted by the following significant events and accomplishments:

Total fleet transactions processed increased 15 percent from 2010 to 319.4 million. Payment processing transactions increased 11 percent to 247.9 million, and transaction processing transactions increased 30 percent to 71.5 million. These transactions include a full year of our Wright Express Australia operations, which was acquired on September 14, 2010, as well as the implementation of a significant private label customer in Australia and New Zealand.

Our corporate purchase card product grew to $7.8 billion in purchase volume for the year, which is a 76 percent increase from 2010. This increase is primarily due to our single use account product used for online travel-related purchases.

On May 23, 2011, we refinanced our 2007 credit facility and 2010 term loan with a new credit agreement. This new credit agreement provided a five year $200 million amortizing term loan facility and a $700 million revolving credit facility.

During 2011, we reduced borrowings under our financing facilities by approximately $112 million.

We acquired the assets of rapid! PayCard on March 31, 2011, for approximately $18 million.

Domestic fuel prices averaged $3.62 per gallon during 2011. Domestic fuel prices averaged $2.84 per gallon during 2010. Australian fuel prices increased 17 percent to $5.47 ($USD) per gallon, from the fourth quarter of the prior year.

Results of Operations

YEAR ENDED DECEMBER 31, 2011, AS COMPARED TO THE YEAR ENDED DECEMBER 31, 2010

FLEET PAYMENT SOLUTIONS SEGMENT

The following table reflects comparative operating results and key operating statistics within our Fleet Payment Solutions segment:

(in thousands)		2011		2010	Increase (decrease)
Revenues					
Payment processing revenue	$	293,756	$	220,154	33%
Transaction processing revenue		16,553		16,591	
Account servicing revenue		60,569		39,692	53%
Finance fees		46,084		37,264	24%
Other		19,742		15,538	27%
Total revenues		436,704		329,239	33%
Total operating expenses		244,910		201,547	22%
Operating income		191,794		127, 692	50%
Financing interest expense [a]		(11,676)		(5,314)	(120)%
(Loss) gain on foreign currency transactions		(368)		7,141	NM
Net realized and unrealized losses on domestic fuel price derivative instruments [a]		(11,869)		(7,244)	(64)%
Increase in amount due under tax receivable agreement		(715)		(214)	(234)%
Income before taxes		167,166		122,061	37%
Income taxes		59,925		48,337	24%
Net income	$	107,241	$	73,724	45%

(in thousands, except per transaction and per gallon data)		2011		2010	Increase (decrease)
Key operating statistics					
Payment processing revenue:					
Payment processing transactions		247,928		222,769[b]	11%
Average expenditure per payment processing transaction	$	71.73	$	56.25[b]	28%
Average price per gallon of fuel - Domestic ($USD/gal)	$	3.62	$	2.84	27%
Average price per gallon of fuel - Australia ($USD/gal)	$	5.47	$	4.70	16%
Transaction processing revenue:					
Transaction processing transactions		71,501		54,980	30%
Account servicing revenue:					
Average number of vehicles serviced		6,322		5,580[b]	13%

NM Not Meaningful

[a] As described in Item 8 Note 20 to our Financial Statements, financing interest expense and net realized and unrealized gains and losses on derivative instruments are allocated solely to the Fleet Payment Solutions segment.

[b] Payment processing transaction and vehicle count data, as well as related calculated metrics associated with this data, for 2010 have been revised to reflect information provided from an improved business intelligence reporting process that was implemented in the second quarter of 2011. These changes do not impact our revenue or earnings. 2010 data has also been updated to remove non-fuel payment processing transactions from Wright Express Australia operations.

Revenues

Payment processing revenue increased $73.6 million for 2011, as compared to 2010. Approximately $44.7 million of this increase is due to a 27 percent increase in the average domestic price per gallon of fuel. Also contributing to the increase is the increase in the number of domestic payment processing transactions, which contributed approximately $12.7 million. The remaining variance is primarily due to our acquisition of Wright Express Australia Fuel, acquired late in the third quarter of 2010.

Account servicing revenue increased $20.9 million for 2011, as compared to 2010. Approximately $18.5 million of the increase is due to Wright Express Australia Fuel activity. The remaining increase is primarily due to monthly fees received for our WEXSmart product line. A greater proportion of Wright Express Australia Fuel revenues is attributable to monthly servicing fees than is experienced in the United States.

Our finance fees have increased $8.8 million for 2011, as compared to 2010. Payments for customer receivables are due within thirty days or less. Finance fee revenue is earned when a customer s receivable balance becomes delinquent. The finance fee is calculated using a stated late fee rate based on the outstanding balance. The absolute amount of such outstanding balances can be attributed to (i) changes in fuel prices; (ii) customer specific transaction volume; and (iii) customer specific delinquencies. Finance fee revenue can also be impacted by changes in (i) late fee rates and (ii) increases or decreases in the number of customers with overdue balances. The change in 2011 is primarily due to higher accounts receivable balances, as a result of higher fuel prices and transaction volumes, resulting in an increase of approximately $5.2 million over 2010. The remainder of the increase, approximately $3.6 million, was due to the operations of Wright Express Australia Fuel which was acquired late in the third quarter of 2010.

Other revenue increased $4.2 million for 2011, as compared to 2010. Approximately $2.2 million of this increase is due to our acquisition of Wright Express Australia Fuel, acquired late in the third quarter of 2010. Also contributing to the increase was $1.2 million of additional sales of *WEXSmart* telematics units during 2011, as compared to 2010.

Expenses

The following table compares selected expense line items within our Fleet Payment Solutions segment:

(in thousands)	**2011**	2010	Increase (decrease)
Expense			
Salary and other personnel	**$ 93,876**	$ 82,445	14 %
Service fees	**$ 21,926**	$ 20,750	6 %
Provision for credit loss	**$ 26,625**	$ 18,747	42 %
Depreciation and amortization	**$ 39,904**	$ 28,331	41 %
Operating interest expense	**$ 4,488**	$ 4,494	
Other expense	**$ 12,791**	$ 8,658	48%

Salary and other personnel expenses increased $11.4 million for 2011, as compared to 2010. Salary expenses related to our Australian operations increased by approximately $6.7 million compared to the prior year, as we had a full year of operation in 2011 compared to 2010. Salary expense associated with our stock compensation plans and the annual bonus incentive increased approximately $2.5 million as compared to 2010. The remaining increase is primarily due to annual salary and benefit increases.

Service fees increased $1.2 million during 2011, as compared to 2010. Service fees associated with the *WEXSmart* product line increased $1.3 million over the prior year due to additional units sold. Operations at Wright Express Australia, which was acquired late in the third quarter of 2010, resulted in an increase of service fees of $3.4 million, as compared to the prior year. Offsetting these increases were the fees incurred in 2010 related to the acquisition of Wright Express Australia.

Provision for credit loss increased $7.9 million for 2011, as compared to 2010. Domestic credit loss increased by approximately $6.0 million as compared to 2010. This increase is primarily associated with higher levels of domestic customer spend throughout the year, associated with the increase in fuel prices. A full year of operations of Wright Express Australia, acquired late in the third quarter of 2010, contributed $1.9 million of the increase. We generally measure our credit loss performance by calculating credit losses as a percentage of total fuel expenditures on payment processing transactions. Our credit losses as a percentage of customers spend remained flat at 14.9 basis points for both 2011 and 2010.

Depreciation and amortization expenses increased $11.6 million for 2011, as compared to 2010. This increase is primarily due to approximately $8.8 million of additional amortization associated with the intangible assets related to the acquisition of RD Card Holdings Australia Pty Ltd, acquired late in the third quarter of 2010.

Operating interest expense is interest on our certificates of deposit and interest-bearing money market deposits (collectively, Brokered Deposits), as well as interest on borrowed federal funds, which we use to finance the receivables arising from our domestic payment processing transactions. This interest expense for 2011 remained relatively flat as compared to 2010. Our average debt balance for 2011 totaled $695.7 million as compared to our average debt balance of $527.3 million for 2010. The impact of the increase in the average debt balance was essentially offset by lower interest rates on the debt.

Other expense increased $4.1 million for 2011, as compared to 2010. Approximately $1.3 million of this increase is due to a full year of operations of Wright Express Australia acquired late in the third quarter of 2010. The remaining increase over 2010 is primarily due to special projects and customer incentives.

Financing interest expense is related to our current Credit Agreement as well as our 2007 credit facility and 2010 term loan. Interest expense for 2011 increased $6.4 million from 2010, due to an increase in the average outstanding balance on our financing debt. The increase in our financing debt occurred during the second half of 2010 in conjunction with our acquisition and funding of operations for Wright Express Australia. Finance interest expense is also impacted by our consolidated leverage ratio, which increased subsequent to the 2010 acquisition. Finance interest expense also includes approximately $0.7 million in unamortized loan costs that was expensed at the time the 2007 credit facility was replaced.

Our effective tax rate was 35.9 percent for 2011 and 39.6 percent for 2010. The decrease in the effective tax rate compared to the prior year is primarily due to non-deductible acquisition expenses associated with our Australian acquisition in 2010, and our decision to indefinitely reinvest our Australian profits outside the United States in 2011. We are aware that during the fourth quarter of 2011, proposed changes to Australia tax consolidation laws were announced, such changes could impact the deductibility of approximately $68 million in amortization expense in Australia and hence have a one-time impact on our recorded tax rate in the coming year.

Gain on foreign currency transactions

During 2010, in anticipation of our closing of the acquisition of RD Card Holdings Australia Pty Ltd, the Company purchased $365 million Australian dollars during the month of August. The exchange rate moved in our favor during the remainder of 2010, resulting in a currency gain of approximately $7.1 million during 2010. No such activity was recorded in 2011, as the Australian dollars were used to complete the acquisition of RD Card Holdings Australia Pty Ltd in 2010.

Fuel price derivatives

We own fuel price sensitive derivative instruments that we purchase on a periodic basis to manage the impact of volatility in domestic fuel prices on our cash flows. Our derivative instruments do not qualify for hedge accounting. Accordingly, realized and unrealized gains and losses on our fuel price sensitive derivative instruments affect our net income. During 2011 we recorded a loss of $11.8 million, consisting of a realized loss of $22.7 million and an unrealized gain of $10.9 million. During 2010 we recorded a loss of $7.2 million, consisting of a realized gain of $9.8 million and an unrealized loss of $17.0 million. The increase in losses is due to the overall increase in the price of fuel relative to our hedged fuel prices.

OTHER PAYMENT SOLUTIONS SEGMENT

The following table reflects comparative operating results and key operating statistics within our Other Payment Solutions segment:

(in thousands)	2011	2010	Increase (decrease)
Revenues			
Payment processing revenue	$ 77,570	$ 46,034	69 %
Transaction processing revenue	8,185	2,935	179 %
Account servicing revenue	3,432	753	356 %
Finance fees	731	497	47%
Other	26,454	10,948	142 %
Total revenues	116,372	61,167	90 %
Total operating expenses	74,842	38,146	96 %
Operating income	41,530	23,021	80 %
Loss on foreign currency transactions	(91)		
Income before income taxes	41,439	23,021	80 %
Income taxes	15,058	9,116	65 %
Net income	$ 26,381	$ 13,905	90 %

(in thousands)	2011	2010	Increase (decrease)
Key operating statistics			
Payment processing revenue:			
Corporate purchase card volume	$ 7,759,466	$ 4,414,145	76 %

Payment processing revenue increased approximately $31.5 million over 2010, primarily due to additional business derived from our single use account product. Our corporate purchase card volume grew by over $3.3 billion in 2011 compared to 2010.

Transaction processing revenue increased approximately $5.2 million over 2010, primarily due to the transaction based fees from Wright Express Australia Prepaid commencing with operations after our acquisition late in the third quarter of 2010.

Account servicing revenue increased approximately $2.7 million over 2010. Approximately $2.0 million of this increase is due to the rapid! PayCard operations, acquired late in the first quarter of 2011. The remaining increase is due to operations at our Wright Express Australia Prepaid subsidiary, acquired late in the third quarter of 2010.

Other revenue increased $15.5 million over 2010, as the volume of cross-border fees increased over the prior year. This increase is offset by an increase in associated service fees expense.

Operating expenses increased by $36.7 million during 2011 primarily due to the following:

Service fees increased by $22.7 million as compared to 2010 due to higher fees associated with higher overall purchase volume.

Salary and other personnel expenses increased $5.8 million as compared to 2010 primarily due to additional payroll costs assumed upon the acquisition of Wright Express Australia Prepaid.

Depreciation and amortization expenses increased $3.9 million for 2011, as compared to 2010. This increase is primarily due to approximately $2.5 million of additional amortization associated with the intangible assets related to the purchase of RD Card Holdings Australia Pty Ltd, acquired late in the third quarter of 2010. The remaining increase is due to additional assets placed into service.

Technology leasing and support expenses increased $2.6 million for 2011, as compared to 2010. This increase is primarily related to the volume increase in our corporate purchase card products.

YEAR ENDED DECEMBER 31, 2010, AS COMPARED TO THE YEAR ENDED DECEMBER 31, 2009

FLEET PAYMENT SOLUTIONS SEGMENT

The following table reflects comparative operating results and key operating statistics within our Fleet Payment Solutions segment:

(in thousands)	2010	2009	Increase (decrease)
Revenues			
Payment processing revenue	**$ 220,154**	$ 179,509	23%
Transaction processing revenue	**16,591**	17,532	(5)%
Account servicing revenue	**39,692**	36,943	7%
Finance fees	**37,264**	32,321	15%
Other	**15,538**	11,691	33%
Total revenues	**329,239**	277,996	18%
Total operating expenses	**201,547**	173,417	16%
Operating income	**127,692**	104,579	22%
Financing interest expense [a]	**(5,314)**	(6,210)	(14)%
Gain (loss) on foreign currency transactions	**7,141**	(40)	NM
Gain on settlement portion of amounts due under tax receivable agreement		136,485	NM
Net realized and unrealized losses on fuel price derivative instruments	**(7,244)**	(22,542)	(68)%
Increase in amount due under tax receivable agreement	**(214)**	(599)	(64)%
Income before taxes	**122,061**	211,673	(42)%
Income taxes	**48,337**	80,436	(40)%
Net income	**$ 73,724**	$ 131,237	(44)%

(in thousands, except per transaction and per gallon data)	2010	2009	Increase (decrease)
Key operating statistics			
Payment processing revenue:			
Payment processing transactions	**222,769[b]**	204,147	9%
Average expenditure per payment processing transaction	**$ 56.25[b]**	$ 48.71	15%
Average price per gallon of fuel Domestic ($USD/gal)	**$ 2.84**	$ 2.39	19%
Average price per gallon of fuel Australia ($USD/gal)	**$ 4.70**	$	
Transaction processing revenue:			
Transaction processing transactions	**54,980**	55,921	(2)%
Account servicing revenue:			
Average number of vehicles serviced	**5,580[b]**	4,648	20%

NM Not Meaningful

[a] As described in Item 8 Note 20 to our Financial Statements, financing interest expense and net realized and unrealized gains and losses on derivative instruments are allocated solely to the Fleet Payment Solutions segment.

[b] Payment processing transaction and vehicle count data, as well as related calculated metrics associated with this data, for 2010 have been revised to reflect information provided from an improved business intelligence reporting process that was implemented in the second quarter of 2011. These changes do not impact our revenue or earnings. 2010 data has also been updated to remove non-fuel payment processing transactions from Wright Express Australia operations.

Revenues

Payment processing revenue increased $40.6 million for 2010, as compared to 2009. Approximately $29 million of this increase was due to a 19 percent increase in the average price per gallon of fuel. Also contributing to the increase was the increase in the number of domestic payment processing transactions, which contributed approximately $5.9 million. The remaining variance was primarily due to our acquisition of Wright Express Australia Fuel.

Account servicing revenue increased $2.7 million for 2010, as compared to 2009. Approximately $6.5 million of the increase was due to Wright Express Australia Fuel activity, offset by a decrease in revenues from software development activity. A greater proportion of Wright Express Australia Fuel revenues was attributable to monthly servicing fees than is experienced in the United States.

Our finance fees increased $4.9 million for 2010, as compared to 2009. The change in the period was primarily due to higher accounts receivable balances, as a result of higher fuel prices and transaction volumes.

Expenses

The following table compares selected expense line items within our Fleet Payment Solutions segment:

(in thousands)	**2010**	2009	Increase (decrease)
Expense			
Salary and other personnel	**$ 82,445**	$ 72,256	14%
Service fees	**$ 20,750**	$ 12,895	61%
Provision for credit loss	**$ 18,747**	$ 15,854	18%
Depreciation and amortization	**$ 28,331**	$ 21,721	30%
Operating interest expense	**$ 4,494**	$ 8,702	(48)%

Salary and other personnel expenses increased $10.2 million for 2010, as compared to 2009. Salary expenses related to our international operations increased by approximately $4.6 million as compared to 2009. The increase in domestic salary expense was due to additional expense associated with our commissions, stock compensation plans and the annual bonus incentive, which increased approximately $1.0 million as compared to 2009. The remaining increase was due to additional contractor expense, annual salary and benefit increases and employee travel.

Service fees increased $7.9 million during 2010, as compared to 2009. The increase in fees was primarily related to the acquisition costs of RD Card Holdings Australia Pty Ltd.

Provision for credit loss increased $2.9 million for 2010, as compared to 2009. The increase was associated with higher levels of expenditures throughout the year. Our credit losses as a percentage of expenditures declined from 15.9 basis points in 2009 to 14.9 basis points in 2010.

Depreciation and amortization expenses increased $6.6 million for 2010, as compared to 2009. This increase was primarily due to approximately $5 million of additional amortization associated with the intangible assets related to the acquisition of RD Card Holdings Australia Pty Ltd. The remaining difference was due to additional depreciation on assets placed into service in 2010.

Operating interest expense is interest on our Brokered Deposits and borrowed federal funds. This interest expense decreased $4.2 million during 2010, as compared to 2009. We finance the receivables arising from our domestic payment processing transactions with our operating debt (deposits and borrowed federal funds). Our average debt balance for 2010 totaled $527.3 million as compared to our average debt balance of $434.5 million for 2009. While this increase in borrowings resulted in approximately a $2 million increase in operating interest, our weighted average interest rates decreased to 1.0 percent in 2010 from 2.2 percent in 2009. The decrease in interest rates reduced operating interest expense year over year by approximately $6 million.

Financing interest expense was related primarily to our revolving credit facility. Interest expense for 2010 decreased $0.9 million from 2009, due to lower interest rates and a reduction in the outstanding balance on our revolving credit facility during a majority of 2010. The increase in our financing debt occurred during the second half of 2010 in conjunction with our acquisition and funding of operations for Wright Express Australia.

Our effective tax rate was 39.6 percent for 2010 and 38.0 percent for 2009. The 2010 provision for income taxes reflects income tax benefits on losses in foreign jurisdictions as opposed to the 2009 provision that reflects losses incurred in foreign jurisdictions where no benefits were recognized.

Gain on foreign currency transactions

In anticipation of our closing of the acquisition of RD Card Holdings Australia Pty Ltd, the Company purchased $365 million Australian dollars in August 2010. The exchange rate moved in our favor during the remainder of 2010, resulting in a currency gain of approximately $7.1 million for that year.

Fuel price derivatives

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. These fuel price-sensitive derivative instruments do not qualify for hedge accounting. Accordingly, gains and losses on our fuel price-sensitive derivative instruments affect our net income. During 2010, we recognized $7.2 million in net realized and unrealized losses due to the increase in the price of fuel in relation to our hedged fuel prices.

OTHER PAYMENT SOLUTIONS SEGMENT

The following table reflects comparative operating results and key operating statistics within our Other Payment Solutions segment:

(in thousands)	**2010**	2009	Increase (decrease)
Revenues			
Payment processing revenue	**$ 46,034**	$ 33,090	39%
Transaction processing revenue	**2,935**		
Account servicing revenue	**753**	58	1,198%
Finance fees	**497**	495	
Other	**10,948**	3,564	207%
Total revenues	**61,167**	37,207	64%
Total operating expenses	**38,146**	23,636	61%
Operating income	**23,021**	13,571	70%
Income taxes	**9,116**	5,149	77%
Net income	**$ 13,905**	$ 8,422	65%

(in thousands)	**2010**	2009	Increase (decrease)
Key operating statistics			
Payment processing revenue:			
Corporate purchase card volume	**$ 4,414,145**	$ 3,082,779	43%

Payment processing revenue increased approximately $12.9 million in 2010 over 2009, primarily due to additional business derived from our single use account product. Our corporate purchase card volume grew by over $1.3 billion in 2010 compared to 2009.

Transaction processing revenue is a result of the transaction based fees from Wright Express Australia Prepaid commencing with operations after our acquisition on September 14, 2010.

Other revenue increased during 2010 as the volume of cross-border fees increased over 2009. This increase was partially offset by an increase in associated service fees expense.

Operating expenses increased by $14.5 million during 2010 primarily due to the following:

- Service fees increased by $10.8 million as compared to 2009 due to cross-border fees and other fees associated with the higher purchase volume.

- Salary and other personnel expenses increased $2.0 million primarily due to additional payroll costs assumed upon the acquisition of Wright Express Australia Prepaid.

Operating interest decreased $0.7 million as compared to 2009, primarily due to lower interest rates.

Credit loss reserve expense decreased $0.7 million. We measure our credit loss performance by calculating credit losses as a percentage of total card purchases. This metric for credit losses was 2.4 basis points of total corporate purchase card volume for 2010 compared to 6.0 basis points for 2009.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOWS

We focus on management operating cash as the primary measure we use internally to monitor cash flow performance from our core operations and we believe it is a key element in achieving maximum stockholder value. Our industrial bank subsidiary, FSC, utilizes Brokered Deposits as well as borrowed federal funds to finance our domestic accounts receivable. Since Brokered Deposits and borrowed federal funds are used to finance our accounts receivable, we believe that they are a recurring and necessary use and source of cash. As such, we consider Brokered Deposits and borrowed federal funds when evaluating our operating activities. For the same reason, we believe that management operating cash may also be useful to investors as one means of evaluating our performance. However, management operating cash is a non-GAAP measure and should not be considered a substitute for, or superior to, net cash provided by (used for) operating activities as presented on the consolidated statement of cash flows in accordance with GAAP.

The table below reconciles net cash provided by (used for) operating activities to management operating cash:

	Year ended December 31,		
(in thousands)	**2011**	2010	2009
Net cash provided by (used for) operating activities	**$ 51,168**	$ (10,550)	$ (33,167)
Net increase (decrease) in Brokered Deposits	**163,853**	106,504	(116,859)
Net (decrease) increase in borrowed federal funds	**(52,584)**	(12,238)	71,723
Management operating cash	**$ 162,437**	$ 83,716	$ (78,303)

The change in management operating cash in the comparative periods can be explained as follows:

During 2011, our increase in accounts receivable, net of the account receivable balance acquired with the acquisition of rapid! PayCard, as well as acquisition adjustments to RD Card Holdings Australia Pty Ltd., is funded by operating activities as well as a $111 million overall increase in borrowed federal funds and Brokered Deposits. Accounts receivable increased in 2011 over 2010 as a result of increased customer spend levels, due to higher fuel prices.

During 2010, our increase in accounts receivable, net of the account receivable balance acquired with the Acquisition of RD Card Holdings Australia Pty Ltd. is funded by operating activities as well as a $94 million overall increase in borrowed federal funds and Brokered Deposits. Accounts receivable increased over the prior year as a result of increased customer spend, due to higher fuel prices.

At the end of 2008, FSC was overfunded by approximately $140 million. This overfunding was the result of lower receivable balances brought about by the rapid decline in fuel prices during the second half of 2008. During the first quarter of 2009 this overfunding was eliminated. Hence, there was a significant decrease in outstanding Brokered Deposits. Additionally, during the second quarter of 2009, we prepaid a portion of our liabilities under our tax receivable agreement for $51 million, which resulted in a non-cash pre-tax gain of approximately $136 million.

2011 Highlights

During 2011, we entered into a new credit facility and paid down $112 million of our financing debt.

On March 31, 2011, we completed the acquisition of the assets of rapid! PayCard for approximately $18 million, which includes a $10 million projected earn-out payment at the end of the first quarter of 2012. The acquisition was funded through our revolving credit facility and term loan.

During 2011, we had approximately $25 million of capital expenditures. A significant portion of our capital expenditures are for the development of internal-use computer software, primarily to enhance product features and functionality in the United States and abroad. We expect total capital expenditures for 2012 to be approximately $28 to $32 million. Our capital spending is financed primarily through internally generated funds.

2010 Highlights

During 2010, we completed the acquisition of RD Card Holding Australia Pty Ltd for approximately $340 million. The acquisition was funded through our revolving credit facility and term loan.

We used $18.4 million during 2010 to repurchase our own common stock.

During 2010, we had approximately $29 million of capital expenditures. A significant portion of our capital expenditures are for the development of internal-use computer software, primarily to enhance product features and functionality in the United States and abroad.

2009 Highlights

During 2009, we reduced the outstanding balance on our revolving credit facility by $43 million.

We used $6.3 million during 2009 to acquire our own common stock.

We paid Realogy $51 million, less our bank fees and legal expenses, as a prepayment in full to settle the remaining obligations to Realogy under the 2005 Tax Receivable Agreement. These obligations were recorded on our balance sheet at approximately $187 million and this transaction resulted in a gain of approximately $136 million. We remain obligated to pay Wyndham the remainder of the obligation under our tax receivable agreement.

During 2009, we had approximately $18 million of capital expenditures. A significant portion of our capital expenditures are for the development of internal-use computer software, primarily to enhance product features and functionality.

Management Operating Cash

Management operating cash is not a measure in accordance with generally accepted accounting principles (GAAP). In order to reconcile from management operating cash to the classifications of cash flow activities presented on our consolidated statement of cash flows, we have adjusted our cash flows from financing activities for the changes in Brokered Deposits and borrowed federal funds.

FSC issued certificates of deposit in various maturities ranging between three months and two years and with fixed interest rates ranging from 0.30 percent to 1.60 percent as of December 31, 2011, as compared to fixed interest rates ranging from 0.25 percent to 1.95 percent as of December 31, 2010, and 0.35 percent to 4.00 percent as of December 31, 2009. FSC also issues interest-bearing money market deposits with variable interest rates ranging from 0.60 percent to 0.73 percent as of December 31, 2011, as compared to variable interest rates ranging from 0.40 percent to 0.60 percent as of December 31, 2010. We did not have any interest-bearing money market deposits as of December 31, 2009. As of December 31, 2011, we had approximately $683.3 million of Brokered Deposits outstanding at a weighted average interest rate of 0.68 percent, compared to $520.4 million of Brokered Deposits at a weighted average interest rate of 0.90 percent as of December 31, 2010, and approximately $415.0 million of Brokered Deposits outstanding at a weighted average interest rate of 1.25 percent as of December 31, 2009.

FSC may issue Brokered Deposits without limitation on the balance outstanding. However, FSC must maintain minimum financial ratios, which include risk-based asset and capital requirements, as prescribed by the FDIC. As of December 31, 2011, all Brokered Deposits were in denominations of $250,000 or less, corresponding to FDIC deposit insurance limits. The certificates of deposit are only payable prior to maturity in the case of death or legally declared mental incompetence. Interest-bearing money market funds may be withdrawn at any time. We believe that our Brokered Deposits are paying competitive yields and that there continues to be consumer demand for these instruments.

Non-interest bearing deposits are required for certain customers as collateral for their credit accounts. We had $10.4 million of these deposits on hand at December 31, 2011, $9.4 million at December 31, 2010, and $8.3 million at December 31, 2009.

FSC also borrows from lines of credit on a federal funds rate basis to supplement the financing of our accounts receivable. Our federal funds lines of credit were $140 million during 2011 and 2010, and $155 million during 2009.

Liquidity

General

In general, our trade receivables provide for payment terms of 30 days or less. We do not extend revolving credit to our customers with respect to these receivables. Receivables not paid within the terms of the customer agreement are generally subject to finance fees based upon the outstanding customer receivable balance. At December 31, 2011, approximately 97 percent of the outstanding balance of $1.3 billion was current and approximately 99 percent of the outstanding balance was less than 60 days past due. The outstanding balance is made up of receivables from approximately 350,000 customers across a wide range of industries. No customer makes up more than 4 percent of the outstanding receivables at December 31, 2011.

Our short-term cash requirements consist primarily of payments to major oil companies for purchases made by our fleet customers, payments to merchants for other payment solutions, payments on maturing and withdrawals of Brokered Deposits and borrowed federal funds, interest payments on our credit facility, cash payments for derivative instruments and other operating expenses. FSC is responsible for the majority of domestic payments to major oil companies, merchants, and payments on maturing and withdrawals of Brokered Deposits and borrowed federal funds. FSC can fund our short-term domestic cash requirements through the issuance of Brokered Deposits and borrowed federal funds. Any remaining cash needs are primarily funded through operations. Under FDIC regulations, FSC may not pay any dividend if, following the payment of the dividend, FSC would be undercapitalized, as defined under the Federal Deposit Insurance Act and applicable regulations.

Our Credit Arrangements

On May 23, 2011, we entered into a Credit Agreement (the Credit Agreement), by and among us and certain of our subsidiaries, as borrowers, and Wright Express Card Holdings Australia Pty Ltd, as specified designated borrower, with a lending syndicate. The Credit Agreement is secured by pledges of the stock of our foreign subsidiaries. The Credit Agreement provides for a five-year $200 million amortizing term loan facility and a five-year $700 million revolving credit facility with a $100 million sublimit for letters of credit and a $20 million sublimit for swingline loans. Term loan payments in the amount of $2.5 million were due beginning on June 30, 2011, and thereafter on the last day of each September, December, March and June thereafter, through and including March 31, 2016, and on the maturity date for the term agreement, May 23, 2016, the remaining outstanding principal amount of $150 million is due. As of December 31, 2011, we had $295.3 million of loans outstanding under the Credit Agreement. As of December 31, 2011, we also had approximately $4.3 million in letters of credit outstanding. Accordingly, at December 31, 2011, we had $592.8 million of availability under the Credit Agreement, subject to the covenants as described below. In conjunction with the establishment of the new credit facility, we capitalized approximately $6.2 million of deferred loan costs in association with this borrowing and wrote-off approximately $0.7 million of previous issuance costs.

Proceeds from the new credit facility were used to repay our indebtedness under the 2007 credit facility with a lending syndicate, and indebtedness under the 2010 term loan facility with a bank. The 2011 Credit Agreement funding is available for working capital purposes, acquisitions, payment of dividends and other restricted payments, refinancing of indebtedness, and other general corporate purposes.

Amounts outstanding under the Credit Agreement bear interest at a rate equal to, at our option, (a) the Eurocurrency Rate, as defined, plus a margin of 1.25 percent to 2.25 percent based on the ratio of consolidated funded indebtedness of the Company and its subsidiaries to consolidated EBITDA or (b) the highest of (i) the Federal Funds Rate plus 0.50 percent, (ii) the prime rate announced by the lead lender, or (iii) the Eurocurrency Rate plus 1.00 percent, in each case plus a margin of 0.25 percent to 1.25 percent based on the ratio of consolidated funded indebtedness of the Company and its subsidiaries to consolidated EBITDA. In addition, we have agreed to pay a quarterly commitment fee at a rate per annum ranging from 0.20 percent to 0.40 percent of the daily unused portion of the credit facility. Any outstanding loans under the Credit Agreement mature on May 23, 2016, unless extended pursuant to the terms of the Credit Agreement.

Our Credit Agreement contains various financial covenants requiring us to maintain certain financial ratios. Specifically, it limits us to a maximum consolidated leverage ratio of 3.00 to 1.00 at the end of each fiscal quarter until the maturity date. The Credit Agreement also requires us to maintain a minimum consolidated interest coverage ratio of 3.00 to 1.00 at the end of each fiscal quarter until the maturity date.

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 December 31, 2011, and expect to continue to be in compliance.

We have entered into an interest rate swap arrangements which effectively converts $150 million of variable rate borrowing to fixed rate borrowing at a rate of approximately 0.56 percent. This arrangement will expire in March of 2012. We regularly review our projected borrowings under our credit facility and the current interest rate environment to determine if additional swaps should be executed.

Other Liquidity Matters

We discuss our hedging strategies relative to commodity and interest rate risk in Item 7A below. Our fuel price derivatives are entered into to mitigate the volatility that domestic fuel prices introduce to our revenue streams. The current fuel price is essentially in the collar range set in the previous year. As a result, we have a net liability related to these derivatives of approximately $5 thousand. During the course of the year we paid $22.7 million from the settlement of expiring derivative contracts.

Our long-term cash requirements, apart from amounts owing on our Credit Agreement, consist primarily of amounts due to Wyndham as part of our tax receivable agreement. As a consequence of our separation from Avis, we increased the tax bases of our tangible and intangible assets to their fair market value (the Tax Basis Increase). This Tax Basis Increase allows us to reduce the amount of future tax payments to the extent that we generate sufficient taxable income. We were contractually obligated, pursuant to our 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 us. In 2009 we entered into a Tax Receivable Prepayment Agreement to settle a portion of the obligation with one of Avis successors. These obligations were previously valued at $187.5 million and this transaction resulted in a gain of $136.5 million. As a result we are now entitled to receive, without obligation to a third party, approximately 68 percent of the future estimated tax benefit of the Tax Basis Increase. This will be reflected over time in increases in operating cash.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to $6.0 million at December 31, 2011, and $1.5 million at December 31, 2010. These earnings are considered to be indefinitely reinvested, and accordingly, no U.S. federal and state income taxes have been provided thereon. If we were to distribute such earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries.

We currently have authorization from our Board to purchase up to $150 million of our common stock up to July of 2013. Through December 31, 2011, we have used $101.4 million of the authorized amount to acquire shares of our common stock. The program will be funded either through our future cash flows or through borrowings on our credit facility. 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.

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

Off-balance Sheet Arrangements

We have the following off-balance sheet arrangements as of December 31, 2011:

Operating leases. We lease office space, office equipment and computer equipment under long-term operating leases, which are recorded in occupancy and equipment or technology leasing and support.

Extension of credit to customers. We have entered into commitments to extend credit in the ordinary course of business. We had approximately $4.1 billion of commitments to extend credit at December 31, 2011, as part of established customer agreements. These amounts may increase or decrease during 2012 as we increase or decrease credit to customers, subject to our appropriate credit reviews, as part of our lending product agreements. Many of these commitments are not expected to be utilized; therefore, we do not believe total unused credit available to customers and customers of strategic relationships represents future cash requirements. We can adjust our customers credit lines at our discretion at any time. We believe that we can adequately fund actual cash requirements related to these credit commitments through the issuance of certificates of deposit, borrowed federal funds and other debt facilities.

Letters of credit. We are required to post collateral to secure our fuel price sensitive derivative instruments based on any unrealized loss, less any unsecured credit granted by our counter party. At December 31, 2011 we posted a $2.0 million letter of credit under the terms of our fuel derivative program. We have also posted a $2.1 million letter of credit as collateral under the terms of our lease agreement for our corporate offices.

Contractual Obligations

The table below summarizes the estimated dollar amounts of payments under contractual obligations as of December 31, 2011, for the periods specified:

(in thousands)	2012	2013	2014	2015	2016 and Thereafter	Total
Operating leases:						
Facilities	$ 4,309	$ 4,269	$ 4,186	$ 3,870	$ 8,945	$ 25,579
Equipment, including vehicles	4,144	2,980	2,870	2,171	4,156	16,321
Revolving line-of-credit [a]	102,800					102,800
Term Loan	10,000	10,000	10,000	10,000	152,250	192,250
Interest payments on term loan	3,389	3,209	3,030	2,850	1,020	13,498
Tax receivable agreement	8,859	8,980	9,359	10,252	55,313	92,763
Deposits	604,394	89,260				693,654
Borrowed federal funds	6,900					6,900
Interest rate swap arrangements [b]	95					95
Fuel price derivative contracts	1,405					1,405
Contingent Obligation	9,325					9,325
Total	$ 755,620	$ 118,698	$ 29,445	$ 29,143	$ 221,684	$ 1,154,590

(a) Our credit facility is set to expire in May of 2016. Amounts in table exclude interest payments. See Item 8 Note 11, Financing Debt.

(b) Payments on interest rate swap arrangements have been estimated using the December 31, 2011 LIBOR rates. Any change to this rate will impact future payments.

(c) During the second quarter of 2012, we expect to pay the remaining purchase price of the rapid! PayCard acquisition.

At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with uncertain tax liabilities; therefore, such amounts are not included on the above contractual obligations table.

Application of Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with Generally Accepted Accounting Principles. Preparation of these financial statements requires us to make estimates and judgments that affect reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. We continually evaluate our judgments and estimates in determination of our financial condition and operating results. 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 carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are based on information available as of the date of the financial statements and, accordingly, actual results could differ from these estimates, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and operating results and require management's most subjective judgments. Our consolidated financial statements are based on the selection and application of critical accounting policies and estimates, the most significant of which are included in the tables below.

Reserve for Credit Losses

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The reserve for losses relating to accounts receivable represents management's estimate of the losses inherent in the Company's outstanding portfolio of receivables. The reserve for credit losses reduces the Company's accounts receivable balances as reported in its financial statements to the net realizable value.	Management has consistently considered its portfolio of charge card receivables as a large group of smaller balance accounts that it has collectively evaluated for impairment. Reserves for losses on these receivables are primarily based on a model that analyzes specific portfolio statistics, including average charge-off rates for various stages of receivable aging (i.e. current, 30 days, 60 days, 90 days) over historical periods including average bankruptcy and recovery rates. Receivables are generally written off when they are 150 days past due or declaration of bankruptcy by the customer. The reserve reflects management's judgment regarding overall reserve adequacy. Management considers whether to adjust the reserve that is calculated by the analytic model based on other factors, such as the actual charge-offs for the preceding reporting periods, expected charge-offs and recoveries for the subsequent reporting periods, a review of accounts receivable balances which become past due, changes in customer payment patterns, known fraudulent activity in the portfolio, as well as leading economic and market indicators.	To the extent historical credit experience is not indicative of future performance, actual loss experience could differ significantly from management's judgments and expectations, resulting in either higher or lower future provisions for credit losses, as applicable. As of December 31, 2011, we have estimated a reserve for credit losses which is 0.9 percent of the total gross accounts receivable balance. An increase or decrease to this reserve by 0.5 percent would increase or decrease the provision for credit losses for the year by $6.7 million. For the past three years, our reserve for credit losses in an annual period has not been in excess of 1.3 percent of the total receivable.

Deferred Tax Asset Valuation and Undistributed Foreign Earnings

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The Company recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities in the different jurisdictions in which it operates. Future realization of the tax benefit of existing deductible temporary differences is contingent upon our ability to generate sufficient future taxable income within the carry back and carry forward periods available under the tax law in each of the relevant jurisdictions.	The Company regularly reviews its deferred tax assets for recoverability by jurisdiction. Management's determination of whether an allowance is required is based on historical taxable income or loss, projected future taxable income or loss, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies.	If the Company is unable to generate sufficient future taxable income, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, the Company may be required to establish valuation allowances against its deferred tax assets.
No valuation allowances have been established at this time as management believes that it is more likely than not that the Company will realize the benefits of its deferred tax assets.	Management also periodically reviews its international tax planning strategies. Assumptions about whether or not foreign earnings will be repatriated significantly impact the Company s overall tax rate.	At December 31, 2011, the Company had approximately $1,081 million of gross deferred tax assets, of which 98 percent is in the United States. These deferred tax assets consisted primarily of temporary differences related to tax deductible goodwill. The Company also had gross deferred tax liabilities of approximately $301 million primarily consisting of temporary non-tax deductible goodwill with an indefinite reversal period all in the United States.
		A determination that no deferred tax assets would be realized at December 31, 2011, would require the establishment of valuation allowances determined without regard to existing deferred tax liabilities with indefinite reversal periods. This would increase the provision for income taxes by approximately $244 million.
		However, this exposure is somewhat mitigated on the Company s financial statements because of the terms of the tax receivable agreement with Wyndham. To the extent that the Company is unable to utilize the tax benefits created as a consequence of the Company's separation from Avis, as modified by the June 26, 2009 Ratification Agreement, the Company would realize a gain of approximately $75 million due to the reduction of the estimated future payments to Wyndham. Therefore, a valuation allowance against 100% of our deferred tax assets coupled with a like judgment concerning the likelihood of the payment of amounts owing to Wyndham, would decrease net income by approximately $169 million.

Acquired Intangible Assets and Goodwill

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
Goodwill is comprised of the cost of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. Acquired intangible assets result from the allocation of the cost of an acquisition. These acquired intangibles include assets that amortize, primarily software and customer relationships, and those that do not amortize, specifically trademarks and certain trade names. The annual review of goodwill and non-amortizing intangibles values is performed as of October 1 of each year.	For the reporting units that carry goodwill balances, our impairment test consists of a comparison of each reporting unit s carrying value to its estimated fair value. A reporting unit, for the purpose of the impairment test, is one level below the operating segment level. We have two reporting segments that are further broken into several reporting units for the impairment review. The estimated fair value of a reporting unit is primarily based on discounted estimated future cash flows. An appropriate discount rate is used, based on the Company's cost of capital or reporting unit-specific economic factors. We generally validate the model by considering other factors such as the fair value of comparable companies, if available, to our reporting units, and a reconciliation of the fair value of all our reporting units to our overall market capitalization. The assumptions used to estimate the discounted cash flows are based on our best estimates about payment processing fees/interchange rates, sales volumes, costs (including fuel prices), future growth rates, capital expenditures and market conditions over an estimate of the remaining operating period at the reporting unit level. The discount rate at each reporting unit is based on the weighted average cost of capital that is determined by evaluating the risk free rate of return, cost of debt, and expected equity premiums.	We review the carrying values of the amortizing assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable. Such circumstances would include, but are not limited to, a significant decrease in the perceived market price of the intangible, a significant adverse change in the way the asset is being used, or a history of operating or cash flow losses associated with the use of the intangible. Our goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically from downturns in customer demand or other economic factors. Individual reporting units may be relatively more impacted than the Company as a whole. Specifically, during times of economic slowdown, our customers may reduce their expenditures. As a result, demand for the services of one or more of the reporting units could decline which could adversely affect our operations, cash flow, and liquidity and could result in an impairment of goodwill or intangible assets. As of December 31, 2011, the Company had an aggregate of approximately $659 million on its balance sheet related to goodwill and intangible assets of acquired entities. Our analysis indicates that the calculated fair value of our reporting units exceed their carrying values as of December 31, 2011. As noted in section 1A, because the acquisitions of rapid! Financial Services LLC (rapid! PayCard) and RD Holdings (Wright Express Australia) were completed recently, our analysis also indicated that the fair values of the rapid! PayCard and Wright Express Australia units closely approximate the carrying value. Although an impairment charge is not warranted at this time, if actual results deteriorate versus our assumptions in the valuation, the potential exists for an impairment in the rapid! PayCard and Wright Express Australia reporting units. Similarly, for all other reporting units, while we currently believe that the fair value of all of our intangibles substantially exceeds carrying value and that those intangibles so classified will contribute indefinitely to the cash flows of the Company, materially different assumptions

	regarding future performance of our reporting units or the weighted-average cost of capital used in the valuations could result in impairment losses and/or amortization expense.

Valuation of Derivatives

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The Company has entered into several financial arrangements that are considered to be derivative transactions. Where the Company has entered into fuel price derivatives, no hedging relationship has been designated. Accordingly, when the derivatives are marked to their market value, the related gains or losses are recognized currently in earnings.	None of the derivatives that exist have readily determinable fair market values. Management determines fair value through alternative valuation approaches, primarily modeling that considers the value of the underlying index or commodity (where appropriate), over-the-counter market quotations, time value, volatility factors and counterparty credit risk. On a periodic basis, management reviews the statements provided by the counterparty to ensure the fair market values are reasonable when compared to the one it derived.	As of December 31, 2011, the Company had established that the net fair value of the derivatives was a liability of less than $1 million. Changes in fuel prices, interest rates and other variables have a significant impact on the value of the derivatives. Should either (i) the variables underlying pricing methodologies; (ii) the creditworthiness of the counterparty or (iii) the methodologies themselves substantially change, our results of operations could significantly change.

Changes to Accounting Policies

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has entered into market risk sensitive instruments for purposes other than trading. The discussion below highlights quantitative and qualitative matters related to these instruments.

Interest Rate Risk

At December 31, 2011, we had borrowings of $295.3 million under our credit facility that bore interest at variable rates. During 2010 we entered into an interest rate swap contract that ends in March 2012 that fixed the interest rate on an additional $150 million of our variable rate revolving credit facility. We periodically review our projected borrowing under our credit facility and the current interest rate environment in order to ascertain whether additional swaps should be entered into to either increase our coverage of our overall borrowings or extend the period which our hedges cover.

At December 31, 2011, we had FSC deposits (includes certificates of deposits, interest bearing money market deposits and borrowed federal funds) outstanding of $690.2 million. The deposits are generally short-term in nature. Upon maturity, the deposits will likely be replaced by issuing new deposits to the extent they are needed.

The following table presents the impact of changes in LIBOR on interest expense on our revolving credit facility and term loan for 2011 on the principal outstanding under the credit facility, as well as the impact of changes in interest rates on certificates of deposits, interest bearing money market deposits and borrowed federal funds:

(in thousands)	**Impact[(a)]**
Projected annual financing interest expense on credit agreement borrowings (assumes one-month LIBOR plus 150 basis points equal to 1.79530%)	$ 5,302
Increase of:	
1.00%	$ 2,953
2.00%	$ 5,906
5.00%	$ 14,765
Projected annual operating interest expense on FSC deposits (certificates of deposits at 0.68%, interest bearing money market deposits at 0.69% and borrowed federal funds at 0.35%)	$ 4,681
Increase of:	
1.00%	$ 6,902
2.00%	$ 13,804
5.00%	$ 34,510

(a) Changes to interest expense presented in this table are based on interest payments are based on outstanding balance and rate at December 31, 2011.

Commodity Price Risk

As discussed in the Fuel Price Derivatives section of Item 1, we use derivative instruments to manage the impact of volatility in North American fuel prices. We have entered into put and call option contracts (Options) based on the wholesale price of unleaded gasoline and retail price of diesel fuel, which settle on a monthly basis through the second quarter of 2013. 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.

The following table presents information about the Options:

(in thousands except per gallon data)				
			December 31, 2011	
	Put Option Strike Price of Underlying (per gallon) [a]	Call Option Strike Price of Underlying (per gallon) [a]	Aggregate Notional (gallons) [b]	Fair Value
Fuel price derivative instruments unleaded fuel wholesale strike price				
Options settling October 2012 June 2013	$ 2.540	$ 2.600	6,857	$ 280
Options settling July 2012 March 2013	$ 2.650	$ 2.665	7,108	573
Options settling April 2012 December 2012	$ 2.932	$ 2.992	7,666	2,437
Options settling January 2012 September 2012	$ 2.608	$ 2.668	7,816	(407)
Options settling October 2011 June 2012	$ 2.247	$ 2.307	4,573	(1,893)
Options settling July 2011 March 2012	$ 2.176	$ 2.236	2,190	(970)
Total fuel price derivative instruments unleaded fuel			36,210	$ 20
Fuel price derivative instruments diesel fuel retail strike price				
Options settling October 2012 June 2013	$ 3.835	$ 3.895	3,081	$ 413
Options settling July 2012 March 2013	$ 3.792	$ 3.852	3,193	134
Options settling April 2012 December 2012	$ 4.061	$ 4.121	3,444	1,093
Options settling January 2012 September 2012	$ 3.695	$ 3.755	3,511	(238)
Options settling October 2011 June 2012	$ 3.293	$ 3.353	2,055	(927)
Options settling July 2011 March 2012	$ 3.239	$ 3.299	984	(500)
Total fuel price derivative instruments diesel			16,268	$ (25)
Total fuel price derivative instruments			52,478	$ (5)

[a] The settlement of the Options is based upon the New York Mercantile Exchange's New York Harbor Reformulated Gasoline Blendstock for Oxygen Blending and the U.S. Department of Energy's weekly retail on-highway diesel fuel price for the month.

[b] The Options settle on a monthly basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Wright Express Corporation

South Portland, Maine

We have audited the accompanying consolidated balance sheets of Wright Express Corporation and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wright Express Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2012 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Boston, MA

February 28, 2012

WRIGHT EXPRESS CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	December 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents	**$ 25,791**	$ 18,045
Accounts receivable (less reserve for credit losses of $11,526 in 2011 and $10,237 in 2010)	**1,323,915**	1,160,482
Income taxes receivable	**7,755**	
Available-for-sale securities	**17,044**	9,202
Fuel price derivatives, at fair value	**410**	
Property, equipment and capitalized software, net	**62,078**	60,785
Deferred income taxes, net	**143,524**	161,156
Goodwill	**549,504**	537,055
Other intangible assets, net	**109,656**	124,727
Other assets	**38,383**	26,499
Total assets	**$ 2,278,060**	$ 2,097,951
Liabilities and Stockholders Equity		
Accounts payable	**$ 409,226**	$ 379,855
Accrued expenses	**54,738**	41,133
Income taxes payable		3,638
Deposits	**693,654**	529,800
Borrowed federal funds	**6,900**	59,484
Revolving line-of-credit facilities and term loan	**295,300**	407,300
Amounts due under tax receivable agreement	**92,763**	100,145
Fuel price derivatives, at fair value	**415**	10,877
Other liabilities	**15,749**	6,712
Total liabilities	**1,568,745**	1,538,944
Commitments and contingencies (Note 17)		
Stockholders Equity		
Common stock $0.01 par value; 175,000 shares authorized; 42,252 in 2011 and 41,924 in 2010 shares issued; 38,765 in 2011 and 38,437 in 2010 shares outstanding	**423**	419
Additional paid-in capital	**146,282**	132,583
Retained earnings	**633,389**	499,767
Other comprehensive income (loss), net of tax:		
Net unrealized gain on available-for-sale securities	**200**	92
Net unrealized loss on interest rate swaps	**(60)**	(368)
Net foreign currency translation adjustment	**30,448**	27,881
Accumulated other comprehensive income	**30,588**	27,605
Less treasury stock at cost; 3,566 shares in 2011 and 2010	**(101,367)**	(101,367)
Total stockholders' equity	**709,315**	559,007
Total liabilities and stockholders equity	**$ 2,278,060**	$ 2,097,951

See notes to consolidated financial statements.

WRIGHT EXPRESS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Year ended December 31,		
	2011	2010	2009
Revenues			
Fleet payment solutions	**$ 436,704**	$ 329,239	$ 277,996
Other payment solutions	**116,372**	61,167	37,207
Total revenues	**553,076**	390,406	315,203
Expenses			
Salary and other personnel	**104,610**	87,364	75,123
Service fees	**70,202**	46,368	27,666
Provision for credit losses	**27,527**	19,838	17,715
Technology leasing and support	**15,423**	12,881	9,327
Occupancy and equipment	**11,803**	8,654	8,718
Advertising	**9,713**	8,118	4,974
Marketing	**3,240**	2,197	2,737
Postage and shipping	**4,325**	3,413	3,105
Communications	**5,115**	3,631	2,703
Depreciation and amortization	**45,369**	29,893	21,930
Operating interest expense	**5,453**	5,370	10,253
Other	**16,972**	11,970	12,802
Total operating expenses	**319,752**	239,697	197,053
Operating income	**233,324**	150,709	118,150
Financing interest expense	**(11,676)**	(5,314)	(6,210)
Net (loss) gain on foreign currency transactions	**(459)**	7,145	(40)
Gain on settlement of portion of amounts due under tax receivable agreement			136,485
Net realized and unrealized losses on fuel price derivatives	**(11,869)**	(7,244)	(22,542)
Increase in amount due under tax receivable agreement	**(715)**	(214)	(599)
Income before income taxes	**208,605**	145,082	225,244
Income taxes	**74,983**	57,453	85,585
Net income	**$ 133,622**	$ 87,629	$ 139,659
Earnings per share:			
Basic	**$ 3.45**	$ 2.28	$ 3.65
Diluted	**$ 3.43**	$ 2.25	$ 3.55
Weighted average common shares outstanding:			
Basic	**38,686**	38,486	38,303
Diluted	**38,998**	39,052	39,364

See notes to consolidated financial statements.

WRIGHT EXPRESS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

AND COMPREHENSIVE INCOME

(in thousands)

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Equity	Comprehensive Income
Balances at December 31, 2008	40,966	$ 410	$ 100,359	$ (1,844)	$ (76,742)	$ 272,479	$ 294,662	
Net adjustment resulting from tax impact of initial public offering			7,358				7,358	
Stock issued to employees exercising stock options	44		585				585	
Tax benefit from employees stock option and restricted stock units			(516)				(516)	
Stock issued to employees for vesting of restricted stock units	157	2					2	
Stock-based compensation			4,277				4,277	
Purchase of shares of treasury stock					(6,268)		(6,268)	
Changes in available-for-sale securities, net of tax effect of $42				76			76	$ 76
Changes in interest rate swaps, net of tax effect of $904				1,560			1,560	1,560
Foreign currency translation				(79)			(79)	(79)
Net income						139,659	139,659	139,659
Comprehensive income								$ 141,216
Balance at December 31, 2009	41,167	412	112,063	(287)	(83,010)	412,138	441,316	
Stock issued to employees exercising stock options	211	2	3,177				3,179	
Tax benefit from employees stock option and restricted stock units			1,698				1,698	
Stock issued to employees for vesting of restricted stock units	101	1					1	
Stock-based compensation			5,646				5,646	
Conversion of preferred stock	445	4	9,999				10,003	
Purchase of shares of treasury stock					(18,357)		(18,357)	
Changes in available-for-sale securities, net of tax effect of $41				69			69	$ 69
Changes in interest rate swaps, net of tax effect of $(111)				(192)			(192)	(192)
Foreign currency translation				28,015			28,015	28,015
Net income						87,629	87,629	87,629
Comprehensive income								$ 115,521
Balance at December 31, 2010	41,924	419	132,583	27,605	(101,367)	499,767	559,007	
Stock issued to employees exercising stock options	**216**	**3**	**2,913**				**2,916**	
Tax benefit from employees stock option and restricted stock units			**3,970**				**3,970**	
Stock issued to employees for vesting of restricted stock units	**112**	**1**					**1**	
Stock-based compensation			**6,816**				**6,816**	
Changes in available-for-sale securities, net of tax effect of $66				**108**			**108**	**$ 108**

Changes in interest rate swaps, net of tax effect of $179				**308**			**308**	**308**
Foreign currency translation				**2,567**			**2,567**	**2,567**
Net income						**133,622**	**133,622**	**133,622**
Comprehensive income								**$ 136,605**
Balance at December 31, 2011	**42,252**	**$ 423**	**$ 146,282**	**$ 30,588**	**$ (101,367)**	**$ 633,389**	**$ 709,315**	

See notes to consolidated financial statements.

WRIGHT EXPRESS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Net income	**$ 133,622**	$ 87,629	$ 139,659
Adjustments to reconcile net income to net cash (used for) provided by operating activities:			
Net unrealized (gain) loss on derivative instruments	**(10,872)**	17,029	43,142
Stock-based compensation	**9,367**	7,425	5,736
Depreciation and amortization	**48,112**	31,504	22,603
Gain on settlement of portion of amounts due under tax receivable agreement			(136,485)
Loss on sale of investment			15
Deferred taxes	**21,749**	21,536	59,558
Provision for credit losses	**27,527**	19,838	17,715
Loss on impairment of internal-use software under development			814
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	**(198,417)**	(236,100)	(159,623)
Other assets	**(11,133)**	(1,241)	(4,641)
Accounts payable	**29,274**	41,919	34,053
Accrued expenses	**3,839**	7,534	(1,651)
Income taxes	**(3,703)**	(2,072)	12,348
Other liabilities	**9,185**	2,057	(1,282)
Amounts due under tax receivable agreement	**(7,382)**	(7,608)	(65,128)
Net cash provided by (used for) operating activities	**51,168**	(10,550)	(33,167)
Cash flows from investing activities			
Purchases of property and equipment	**(25,145)**	(28,944)	(17,848)
Sale of available-for-sale securities			7
Purchases of available-for-sale securities	**(8,509)**	(150)	(160)
Maturities of available-for-sale securities	**841**	1,654	2,194
Acquisition of customer relationship intangible	**(3,344)**		
Acquisition of rapid! PayCard	**(8,081)**		
Acquisition of RD Card Holdings Australia Pty Ltd., net of cash acquired	**3,734**	(339,994)	
Net cash used for investing activities	**(40,504)**	(367,434)	(15,807)
Cash flows from financing activities			
Excess tax benefits from equity instrument share-based payment arrangements	**3,970**	1,698	
Repurchase of share-based awards to satisfy tax withholdings	**(2,551)**	(1,476)	(1,464)
Proceeds from stock option exercises	**2,913**	3,177	585
Net increase (decrease) in deposits	**163,853**	106,504	(116,859)
Net (decrease) increase in borrowed federal funds	**(52,584)**	(12,238)	71,723
Net (repayments) borrowings on 2007 revolving line-of-credit facility	**(332,300)**	204,300	(42,600)
(Repayments) borrowings on term loan	**(75,000)**	75,000	
Loan origination fees	**(6,184)**	(2,269)	
Net borrowings on 2011 revolving line-of-credit	**102,800**		
Borrowings on 2011 term note agreement	**200,000**		
Repayments of 2011 term note agreement	**(7,500)**		
Purchase of shares of treasury stock		(18,357)	(6,268)
Net cash (used for) provided by financing activities	**(2,583)**	356,339	(94,883)
Effect of exchange rates on cash and cash equivalents	**(335)**	386	44
Net change in cash and cash equivalents	**7,746**	(21,259)	(143,813)
Cash and cash equivalents, beginning of period	**18,045**	39,304	183,117

Cash and cash equivalents, end of period	**$ 25,791**	$ 18,045	$ 39,304

See notes to consolidated financial statements.

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

1. Summary of Significant Accounting Policies

Business Description

Wright Express Corporation (Company) is a provider of value-based, business payment processing and information management solutions. The Company provides products and services that meet the needs of businesses in various geographic regions including North America, Asia Pacific and Europe. The Company s Fleet Payment Solutions and Other Payment Solutions segments provide its customers with security and control for complex payments across a wide spectrum of business sectors. The Company markets its products and services directly, as well as through strategic relationships which include major oil companies, fuel retailers and vehicle maintenance providers.

Basis of Presentation

The accompanying consolidated financial statements of Wright Express for the years ended December 31, 2011, 2010 and 2009, include the accounts of Wright Express and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Prior period statements have been conformed to the 2011 presentation; this includes corrections to add Australia to the geographic segments footnote disclosure and to separately disclose activity on the term loan in 2010 in the Statement of Cash Flows.

Use of Estimates and Assumptions

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 the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates and those differences may be material.

Cash and Cash Equivalents

Highly liquid investments with remaining maturities at the time of purchase of three months or less (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates market value. Cash equivalents include federal funds sold, which are unsecured short-term investments entered into with financial institutions.

Accounts Receivable and Reserve for Credit Losses

Accounts receivable balances are stated at net realizable value. The balance includes a reserve for credit losses which reflects management's estimate of uncollectible balances resulting from credit and fraud losses. Management has consistently considered its portfolio of charge card receivables as a large group of smaller balance accounts that it has collectively evaluated for impairment. The reserve for credit losses is established based on the determination of the amount of expected credit losses inherent in the accounts receivable as of the reporting date. Management reviews delinquency reports, historical collection rates, economic trends, geography and other information in order to make judgments as to probable credit losses. Management also uses historical charge off experience to determine the amount of losses inherent in accounts receivable at the reporting date. Assumptions regarding probable credit losses are reviewed periodically and may be impacted by actual performance of accounts receivable and changes in any of the factors discussed above.

Available-for-sale Securities

The Company records certain of its investments as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported on the consolidated balance sheet in accumulated other comprehensive income (loss). Realized gains and losses and declines in fair

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

value judged to be other-than-temporary on available-for-sale securities are included in non-operating revenues and expenses. The cost basis of securities is based on the specific identification method. Interest and dividends earned on securities classified as available-for-sale are included in other revenues.

Derivatives

The Company uses derivative instruments as part of its overall strategy to manage its exposure to fluctuations in fuel prices and to reduce the impact of interest rate volatility. As a matter of policy, the Company does not use derivatives for trading or speculative purposes. All derivatives are recorded at fair value on the consolidated balance sheet.

The Company s fuel price derivative instruments do not qualify for hedge accounting treatment. Gains or losses related to fuel price derivative instruments, both realized and unrealized, are recognized currently in earnings. These instruments are presented on the consolidated balance sheet as fuel price derivatives, at fair value. For the purposes of cash flow presentation, realized gains or losses are included in operating cash flows, as they are intended to hedge operating cash flows.

The Company s interest rate derivatives are designated as cash flow hedges and, accordingly, the change in fair value associated with the effective portion of these derivative instruments that qualify for hedge accounting treatment is recorded as a component of other comprehensive income (loss) and the ineffective portion, if any, is reported currently in earnings. Amounts included in other comprehensive income (loss) are reclassified into earnings in the same period during which the hedged item affects earnings. These instruments are presented as either other assets or accrued expenses on the consolidated balance sheet.

The Company assesses the hedge effectiveness of the interest rate swaps in accordance with the requirements outlined in the accounting standards. For these hedges, management documents, both at inception and over the life of the hedge, at least quarterly, its analysis of actual and expected hedge effectiveness. For those hedging relationships in which the critical terms of the entire debt instrument and the derivative are identical, and the creditworthiness of the counterparty to the hedging instrument remains sound, there is no hedge ineffectiveness so long as those conditions continue to be met.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Replacements, renewals and improvements are capitalized and costs for repair and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives shown below. Leasehold improvements are depreciated using the straight-line method over the lesser of the useful life of the asset or remaining lease term.

	Estimated Useful Lives
Furniture, fixtures and equipment	5 to 7 years
Computer software	18 months to 7 years
Leasehold improvements	5 to 15 years

Capitalized Software

The Company develops software that is used in providing processing and information management services to customers. A significant portion of the Company's capital expenditures is devoted to the development of such internal-use computer software. Software development costs are capitalized once technological feasibility

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that the software can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the software is ready for its intended use. Software development costs are amortized using the straight-line method over the estimated useful life of the software. Capitalized costs include interest costs incurred while developing internal-use computer software. Amounts capitalized for software were $16,726 in 2011, $19,637 in 2010, and $14,030 in 2009. Amortization for software totaled $18,690 in 2011, $16,348 in 2010, and $15,698 in 2009.

Goodwill and Other Intangible Assets

The Company classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill. The Company tests intangible assets with definite lives for impairment if conditions exist that indicate the carrying value may not be recoverable. Such conditions may include a reduction in operating cash flow or a dramatic change in the manner in which the asset is intended to be used. The Company would record an impairment charge when the carrying value of the definite-lived intangible asset is not recoverable from the undiscounted cash flows generated from the use of the asset.

Intangible assets with indefinite lives and goodwill are not amortized. The Company tests these intangible assets and goodwill for impairment at least annually or more frequently if facts or circumstances indicate that such intangible assets or goodwill might be impaired. All goodwill and intangible assets are assigned to reporting units, which are one level below the Company s operating segments. The Company performs its impairment tests at its reporting unit level. Such impairment tests include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. The Company uses a variety of methodologies to estimate fair value, but primarily relies on discounted cash flow analyses. Such analyses are corroborated using market analytics. Certain assumptions are used in determining the fair value, including assumptions about future cash flows and terminal values. When appropriate, the Company considers the assumptions that it believes hypothetical marketplace participants would use in estimating future cash flows. In addition, an appropriate discount rate is used, based on the Company s cost of capital or reporting unit-specific economic factors. When the fair value is less than the carrying value of the intangible assets or the reporting unit, the Company records an impairment charge to reduce the carrying value of the assets to fair value. Impairment charges, should they arise, would be recorded in depreciation and amortization expense on the consolidated statements of income. The Company s annual goodwill and intangible assets impairment test, performed as of October 1, did not identify any impairment in any of the years presented.

The Company determines the useful lives of its identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors management considers when determining useful lives include the contractual term of any agreement, the history of the asset, the Company s long-term strategy for the use of the asset, any laws or other local regulations which could impact the useful life of the asset and other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized over their useful lives, which is the period of time that the asset is expected to contribute directly or indirectly to future cash flows. An evaluation of the remaining useful lives of the definite-lived intangible assets is performed periodically to determine if any change is warranted.

Impairment of Long-lived Assets

Long-lived assets are tested for impairment whenever facts or circumstances, such as a reduction in operating cash flow or a dramatic change in the manner the asset is intended to be used, indicate the carrying

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

amount of the asset may not be recoverable. If indicators exist, the Company compares the estimated undiscounted future cash flows associated with these assets or operations to their carrying value to determine if a write-down to fair value (normally measured by the expected present value technique) is required. The Company did not recognize any significant impairment expense on its long-lived assets during the years ended December 31, 2011 and 2010. Impairment expense of $858 was recognized during the year ended December 31, 2009. These amounts were recorded in occupancy and equipment in the consolidated statements of income.

Other Assets

The Company has an investment in the stock of the Federal Home Loan Bank totaling $1,562 for all years presented which is carried at cost and not considered a readily marketable security. This investment is included in other assets on the consolidated balance sheets. As of December 31, 2011, the Company has concluded that the investment is not impaired.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other liabilities approximate their respective fair values due to the short-term nature of such instruments. The carrying values of certificates of deposit, demand interest-bearing money market deposits, borrowed federal funds and credit agreement borrowings, approximate their respective fair values as the interest rates on these financial instruments are variable. All other financial instruments are reflected at fair value on the consolidated balance sheet.

Revenue Recognition

The majority of the Company s revenues are comprised of transaction-based fees, which generally are calculated based on measures such as (i) percentage of dollar value of volume processed; (ii) number of transactions processed; or (iii) some combination thereof. The Company has entered into agreements with major oil companies, fuel retailers and vehicle maintenance providers which provide products and/or services to the Company s customers. These agreements specify that a transaction is deemed to be captured when the Company has validated that the transaction has no errors and has accepted and posted the data to the Company s records. The Company recognizes revenues when persuasive evidence of an arrangement exists, the products and services have been provided to the client, the sales price is fixed or determinable and collectability is reasonably assured.

A description of the major components of revenue is as follows:

Payment Processing Revenue. Revenue consists of transaction fees assessed to major oil companies, fuel retailers and vehicle maintenance providers. The fee charged is generally based upon a percentage of the total transaction amount; however, it may also be based on a fixed amount charged per transaction or, on a combination of both measures. The fee is deducted from the Company's payment to the major oil company, fuel retailer or vehicle maintenance provider and recorded as revenue at the time the transaction is captured.

Interchange income is earned by the Company s corporate purchase card and payroll card products and is included in payment processing revenue. Interchange income is a fee paid by a merchant bank to the card-issuing bank through the interchange network. Interchange fees are set by the credit card providers. The Company recognizes interchange income as earned.

Transaction Processing Revenue. The Company earns transaction fees, which are principally based on the number of transactions processed; however, the fees may be a percentage of the total transaction amount. These fees are recognized at the time the transaction is captured.

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

Account Servicing Revenue. Revenue is primarily comprised of monthly fees based on vehicles serviced. These fees are primarily in return for providing monthly vehicle data reports. Account servicing revenue is recognized monthly, as the Company fulfills its contractual service obligations. We also recognize service fees related to rapid! PayCard services for card fees charges to the cardholder.

Finance Fees. The Company earns revenue by assessing monthly finance fees on accounts with overdue balances. These fees are recognized as revenue at the time the fees are assessed. The finance fee is calculated using a stated late fee rate based on the entire balance outstanding from the customer. On occasion, these fees are waived; such waived amounts are offset against the revenue recognized at the time such waivers are granted. These waived fees amounted to $3,845 in 2011 and $4,096 in 2010.

Other. The Company assesses fees for providing ancillary services, such as information products and services, professional services and marketing services. Other revenues also include cross-border fees, fees for overnight shipping, certain customized electronic reporting and customer contact services provided on behalf of certain of the Company s customers. Service related revenues are recognized in the period that the work is performed.

Interest and dividends earned on investments in available-for-sale securities also are included in other revenues. Such income is recognized in the period that it is earned.

The Company sells telematics devices as part of its *WEXSmart*™ telematics program. In addition, the Company sells assorted equipment to its Pacific Pride franchisees. The Company recognizes revenue from these sales when the customer has accepted delivery of the product and collectability of the sales amount is reasonably assured.

From time to time the Company provides rebates and/or incentives to certain customers and selected strategic relationships in order to induce them to use the Company's payment processing or transaction processing services. The revenues described above are net of rebates and incentives provided to customers. Rebates are recorded in the period in which the underlying transactions are recorded. Incentives are recognized, to extent they are earned, on a pro rata basis over the term of the contract.

Stock-Based Compensation

The Company sponsors restricted stock award plans and stock option plans. The Company recognizes compensation expense related to employee stock-based compensation over their vesting periods based upon the fair value of the award on the date of grant. In instances where vesting is dependent upon the realization of certain performance goals, compensation is estimated and amortized over the vesting period.

Advertising Costs

Advertising and marketing costs are expensed in the period the advertising occurs.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The realizability of deferred tax assets must also be assessed. The ultimate realization of deferred tax assets is

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

dependent upon the generation of future taxable income during the periods in which the associated temporary differences became deductible. A valuation allowance must be established for deferred tax assets which are not believed to more likely than not be realized in the future. Deferred taxes are not provided for the undistributed earnings of the Company's foreign subsidiaries that are considered to be indefinitely reinvested outside of the United States.

Current accounting guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting guidance also provides guidance on derecognition, classification, interest and penalties, accounting in the interim periods, disclosure, and transition. Penalties and interest related to uncertain tax positions are recognized as a component of income tax expense. To the extent penalties and interest are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax position.

Earnings per Common Share

When diluted earnings per common share is calculated, weighted-average outstanding shares are adjusted for the dilutive effect of shares issuable upon the assumed conversion of the Company's convertible, redeemable preferred stock and common stock equivalents, which consist of outstanding stock options and unvested restricted stock units. The dividends expensed on convertible, redeemable preferred stock are added back to net income as the related common stock equivalents are included in the denominator of diluted earnings per common share. In 2010, the preferred stock was converted to common stock. Holders of unvested restricted stock units are not entitled to participate in dividends, should they be declared.

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

	Year ended December 31,		
	2011	2010	2009
Income available for common stockholders Basic	**$ 133,622**	$ 87,629	$ 139,659
Convertible, redeemable preferred stock		40	248
Income available for common stockholders Diluted	**$ 133,622**	$ 87,669	$ 139,907

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

	Year ended December 31,		
	2011	2010	2009
Weighted average common shares outstanding Basic	**38,686**	38,486	38,303
Unvested restricted stock units	**128**	209	396
Stock options	**184**	255	221
Convertible, redeemable preferred stock		102	444
Weighted average common shares outstanding Diluted	**38,998**	39,052	39,364

Foreign Currency Movement

The financial statements of the Company's foreign subsidiaries, whose functional currencies are other than the U.S. dollar, are translated to U.S. dollars as prescribed by the accounting literature. Assets and liabilities are

WRIGHT EXPRESS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

translated at the year-end spot exchange rate, revenue and expenses at average exchange rates and equity transactions at historical exchange rates. Exchange differences arising on translation are recorded as a component of accumulated other comprehensive income (loss).

Realized and unrealized gains and losses on foreign currency transactions are recorded directly in the statements of income except when such gains or losses result from intercompany transactions that are considered to be long term in nature. In these situations, the gains or losses are deferred and included as a component of accumulated other comprehensive income (loss).

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities, the changes in fair values of derivative instruments designated as hedges of future cash flows related to interest rate variability and foreign currency translation adjustments pertaining to the net investment in foreign operations. Amounts are recognized net of tax to the extent applicable. Realized gains or losses on securities transactions are classified as non-operating in the Consolidated Statements of Income.

2. Supplemental Cash Flow Information

	Year ended December 31,					
		2011		2010		2009
Interest paid	**$**	**15,704**	$	8,770	$	28,230
Income taxes paid	**$**	**52,930**	$	36,300	$	13,672
Conversion of preferred stock shares and accrued preferred dividends to common stock shares	**$**		$	10,004	$	

Significant Non-cash Transactions

The purchase price for the Company s acquisition of rapid! Financial Services included $10,000 of contingent consideration for future performance milestones (discussed further in Note 3). As of December 31, 2011, the Company estimates approximately $9,325 will be paid dur