

Wright Express CORP
Form 10-Q/A
November 20, 2006

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period
ended June 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period
from to
Commission file number 001-32426

WRIGHT EXPRESS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware 01-0526993

(State or other jurisdiction of incorporation) (I.R.S Employer Identification No.)

97 Darling Avenue
South Portland, ME 04106

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

(Registrant's telephone number including area code)

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

Yes No

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

(Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

There were 40,354,913 shares of common stock \$0.01 par value outstanding as of July 28, 2006.

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Explanatory Note

This Amendment No. 1 on Form 10-Q/A is filed by Wright Express Corporation (the Company) to amend the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 originally filed with the Securities and Exchange Commission (SEC) on August 3, 2006 (Original Filing). The Company has concluded that Cendant Corporation (Cendant), the Company's former corporate parent, incorrectly allocated the purchase price relating to Cendant's 2001 acquisition of PHH and its subsidiaries (which at the time included Wright Express). Cendant's February 22, 2005 divestiture of Wright Express through an initial public offering gave rise to a change in the tax basis of the goodwill of the Company. During the course of the review of the initial goodwill allocation, the Company also reevaluated the accounting that was required at the time of the initial public offering, including the establishment of deferred income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. The Company concluded that such deferred income taxes had been recorded incorrectly and that such balances should be restated. As such, the Company has determined that it should restate (1) its previously issued financial statements for the quarter ended June 30, 2006 and fiscal year 2005 and prior years to reflect additional goodwill of \$138 million (net of 2001 amortization of approximately \$3 million); and (2) its previously issued financial statements for the quarter ended June 30, 2006 and fiscal year 2005 to lower deferred income taxes by approximately \$110 million. Correcting these errors results in an increase in both goodwill and stockholders' equity and a decrease in deferred income taxes. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, the Company determined that the restated goodwill was not impaired and there was no impact to earnings for 2002 through the quarter ended June 30, 2006. For the period prior to the Company's adoption of SFAS No. 142, approximately \$3 million of additional goodwill amortization was charged to the Company's 2001 earnings. The adjustment to deferred income taxes had no impact to earnings.

This Amendment No. 1 on Form 10-Q/A amends the following Items for the change in goodwill, stockholders' equity and deferred income taxes:

Item 1 (Financial Statements) to reflect changes to the Company's Condensed Consolidated Balance Sheets; to Note 1 to the Condensed Consolidated Financial Statements, Nature of Business and Basis of Presentation; Note 4 to the Condensed Consolidated Financial Statements, Goodwill and Intangible Assets, and Note 9 to the Condensed Consolidated Financial Statements, Commitments and Contingencies.

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

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

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

the updating throughout this report of internal references to this report from references to Form 10-K to references to Form 10-K/A and Form 10-Q to Form 10-Q/A; and

the renumbering of certain pages of this report.

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

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FORM 10-Q/A
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WRIGHT EXPRESS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	(Restated) June 30, 2006 (unaudited)	(Restated) December 31, 2005
Assets		
Cash and cash equivalents	\$ 16,600	\$ 44,994
Accounts receivable (less reserve for credit losses of \$5,188 in 2006 and \$4,627 in 2005)	890,857	652,132
Available-for-sale securities	5,987	20,878
Property, equipment and capitalized software, net	39,548	38,543
Deferred income taxes, net	396,738	403,078
Intangible assets, net	2,421	2,421
Goodwill	272,861	272,861
Other assets	11,559	13,388
Total assets	\$ 1,636,571	\$ 1,448,295
Liabilities and Stockholders Equity		
Accounts payable	\$ 396,127	\$ 254,381
Accrued expenses	19,721	22,197
Deposits	414,316	338,251
Borrowed federal funds	9,350	39,027
Revolving line-of-credit facility	48,000	53,000
Term loan, net	151,398	167,508
Derivative instruments, at fair value	45,598	36,710
Other liabilities	1,163	331
Amounts due to Cendant Corporation under tax receivable agreement	414,798	424,277
Preferred stock; 10,000 shares authorized: Series A non-voting convertible preferred stock; 0.1 shares authorized, issued and outstanding	 10,000	 10,000
Total liabilities	1,510,471	1,345,682
Commitments and contingencies (Note 9)		
Stockholders Equity		
Common stock \$0.01 par value; 175,000 shares authorized; 40,353 shares issued and outstanding as of June 30, 2006, 40,210 shares issued and	404	402

outstanding as of December 31, 2005		
Additional paid-in capital	85,243	82,894
Retained earnings	39,859	18,653
Other comprehensive income (loss), net of tax:		
Net unrealized gain on interest rate swaps	796	748
Net unrealized loss on available-for-sale securities	(202)	(84)
Accumulated other comprehensive income	594	664
Total stockholders' equity	126,100	102,613
Total liabilities and stockholders' equity	\$ 1,636,571	\$ 1,448,295

See notes to condensed consolidated financial statements.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues				
Payment processing revenue	\$ 57,693	\$41,809	\$104,649	\$ 76,618
Transaction processing revenue	4,343	4,288	8,553	8,395
Account servicing revenue	5,926	5,792	11,841	11,411
Finance fees	5,243	3,052	10,481	6,247
Other	2,959	2,370	5,278	6,842
Total revenues	76,164	57,311	140,802	109,513
Expenses				
Salary and other personnel	15,196	13,450	29,550	32,167
Service fees	3,377	3,005	6,417	6,547
Provision for credit losses	2,302	1,940	6,220	4,877
Technology leasing and support	1,934	2,099	3,797	4,176
Occupancy and equipment	1,703	1,432	3,295	2,874
Depreciation and amortization	2,692	2,684	5,206	4,656
Operating interest expense	6,042	3,192	10,649	5,453
Other	4,406	3,482	8,249	7,401
Total operating expenses	37,652	31,284	73,383	68,151
Operating income	38,512	26,027	67,419	41,362
Financing interest expense	(3,666)	(4,133)	(7,394)	(5,519)
Net realized and unrealized (losses) gains on derivative instruments	(20,509)	2,658	(27,987)	(41,544)
Income (loss) before income taxes	14,337	24,552	32,038	(5,701)
Provision (benefit) for income taxes	4,481	9,568	10,832	(2,212)
Net income (loss)	9,856	14,984	21,206	(3,489)

Change in net unrealized loss on available-for-sale securities, net of tax effect of \$(21) and \$(62) in 2006 and \$27 and \$(3) in 2005	(55)	49	(118)	(6)
Change in net unrealized gain on interest rate swaps, net of tax effect of \$(49) and \$37 in 2006 and \$8 and \$8 in 2005	(20)	13	48	13
Comprehensive income (loss)	\$ 9,781	\$15,046	\$ 21,136	\$ (3,482)
Earnings (loss) per share:				
Basic	\$ 0.24	\$ 0.37	\$ 0.53	\$ (0.09)
Diluted	\$ 0.24	\$ 0.37	\$ 0.52	\$ (0.09)
Weighted average common shares outstanding:				
Basic	40,331	40,186	40,288	40,186
Diluted	41,086	41,072	41,035	40,186

See notes to condensed consolidated financial statements.

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

	Six months ended	
	June 30,	
	2006	2005
Cash flows from operating activities		
Net income (loss)	\$ 21,206	\$ (3,489)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net unrealized loss on derivative instruments	8,888	27,821
Stock-based compensation	1,553	6,031
Depreciation and amortization	5,766	5,333
Deferred taxes	6,365	(161)
Provision for credit losses	6,220	4,877
Loss (gain) on disposal of property and equipment	5	(118)
Changes in operating assets and liabilities:		
Accounts receivable	(244,945)	(164,571)
Other assets	1,744	(1,706)
Accounts payable	141,746	84,901
Accrued expenses	(2,476)	31
Other liabilities	832	(55)
Amounts due to Cendant under tax receivable agreement	(9,479)	(6,379)
Due to/from related parties		45,051
Net cash used in operating activities	(62,575)	(2,434)
Cash flows from investing activities		
Purchases of property and equipment	(6,216)	(5,145)
Sales of property and equipment		125
Purchases of available-for-sale securities	(66)	(1,096)
Maturities of available-for-sale securities	14,777	121
Net cash provided by (used in) investing activities	8,495	(5,995)
Cash flows from financing activities		
Dividends paid		(305,887)
Excess tax benefits of equity instrument share-based payment arrangements	251	
Payments in lieu of issuing shares of common stock	(682)	
Proceeds from stock option exercises	1,229	
Net increase in deposits	76,065	100,160
Net decrease in borrowed federal funds	(29,677)	(20,514)
Net (repayments) borrowings on revolving line of credit	(5,000)	50,000
Loan origination fees paid for revolving line of credit		(1,704)
Borrowings on term loan, net of loan origination fees of \$2,884 in 2005		217,116

Repayments on term loan	(16,500)	(35,000)
Net cash provided by financing activities	25,686	4,171
Net change in cash and cash equivalents	(28,394)	(4,258)
Cash and cash equivalents, beginning of period	44,994	31,806
Cash and cash equivalents, end of period	\$ 16,600	\$ 27,548

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

	Six months ended June 30,	
	2006	2005
Supplemental cash flow information:		
Interest paid	\$17,362	\$7,975
Income taxes paid	\$ 925	\$3,870

There were no significant non-cash transactions during the six months ended June 30, 2006.

During the six months ended June 30, 2005 the following significant non-cash transactions occurred:

The tax basis of our assets increased as a result of our initial public offering creating a deferred tax asset. We entered into a tax receivable agreement with Cendant Corporation, our former parent company (see Note 10, ***Tax Receivable Agreement***) ..

We issued 40,000 shares of common stock upon the completion of our initial public offering and as part of the conversion from a Delaware limited liability company to a Delaware corporation. We did not receive any proceeds from this offering as our former parent company received all common stock proceeds from the offering concurrent with its sale of 100 percent of its interest in us.

We issued 0.1 shares of preferred stock as part of the conversion from a Delaware limited liability company to a Delaware corporation. We did not receive any proceeds from this offering as our former parent company received all preferred stock proceeds from this conversion.

See notes to condensed consolidated financial statements.

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

1. Nature of Business and Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited consolidated financial statements included in our annual report on Form 10-K/A for the year ended December 31, 2005, filed with the SEC on November 20, 2006.

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

Our results of operations and cash flows for the period from January 1, 2005 through February 22, 2005, which are included in the amounts reported on the condensed consolidated statements of income and condensed consolidated statements of cash flows for the six months ended June 30, 2005, reflect our historical results of operations and cash flows as a business unit divested by Cendant Corporation (Cendant), our former parent company, in the initial public offering (IPO). As a result, the accompanying condensed consolidated financial statements for the six months ended June 30, 2005, may not necessarily reflect our results of operations and cash flows in the future or what our results of operations and cash flows would have been had we been a stand-alone public company during these periods. See Note 7, *Related Parties*, for a more detailed description of transactions with our former parent company.

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

Restatement

The Company has restated its financial statements to include an additional \$137,814 of goodwill (net of 2001 amortization of approximately \$2,932) which should have been allocated to the Company when it was acquired by Cendant Corporation (Cendant) in 2001. The total goodwill, as adjusted, has been assessed for impairment and the Company has determined that there has been no impairment since the 2001 acquisition.

Cendant's February 22, 2005 divestiture of Wright Express through an initial public offering gave rise to a change in the tax basis of the goodwill of the Company. During the course of the review of the initial goodwill allocation, the Company also reevaluated the accounting that was required at the time of the initial public offering, including the establishment of the deferred income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. The Company concluded that such deferred income taxes had been recorded incorrectly and that such balances should be restated. Accordingly, the Company has restated its financial statements to decrease deferred income taxes by \$109,940 (\$54,413 for the original goodwill that was recorded and \$55,527 for the additional restated goodwill above).

The restatement impacts deferred income taxes, goodwill, additional paid in capital and retained earnings in the balance sheets as of December 31, 2005 and June 30, 2006. The corrected goodwill would have been amortized from the date of acquisition until the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002. The correction does not have any impact on the Company's reported earnings for the three and six months ended June 30, 2006 and 2005 or cash flows for the six months ended June 30, 2006 and 2005. The following table presents previously reported and restated amounts by financial statement line item for the Condensed Consolidated Balance Sheets as of June 30, 2006 and December 31, 2005:

	June 30, 2006			December 31, 2005		
	As Originally Reported	Adjustment	As Restated	As Originally Reported	Adjustment	As Restated
Deferred income taxes, net	\$ 506,678	\$ (109,940)	\$ 396,738	\$ 513,018	\$ (109,940)	\$ 403,078
Goodwill	\$ 135,047	\$ 137,814	\$ 272,861	\$ 135,047	\$ 137,814	\$ 272,861
Total assets	\$ 1,608,697	\$ 27,874	\$ 1,636,571	\$ 1,420,421	\$ 27,874	\$ 1,448,295
Additional paid-in capital	\$ 57,369	\$ 27,874	\$ 85,243	\$ 55,020	\$ 27,874	\$ 82,894
Total stockholders equity	\$ 98,226	\$ 27,874	\$ 126,100	\$ 74,739	\$ 27,874	\$ 102,613
Total liabilities and stockholders equity	\$ 1,608,697	\$ 27,874	\$ 1,636,571	\$ 1,420,421	\$ 27,874	\$ 1,448,295

Certain amounts have been reclassified in our condensed consolidated financial statements to conform to the 2006 presentation and the presentation in our annual report on Form 10-K/A for the year ended December 31, 2005. During the quarter ended June 30, 2005, the Company incorrectly reported changes in cash from deposits and borrowed federal funds as operating activities. In these condensed consolidated financial statements, this error has been corrected and the statements of cash flows properly report changes in cash related to deposits and borrowed federal funds as financing activities. This correction decreases cash flows from operations from \$77,212 (as originally reported) to \$(2,434) and increases cash flows from financing from \$(75,475) (as originally reported) to \$4,171 for the six months ended June 30, 2005.

2. Stock-based Compensation

We adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-based Payment*, on July 1, 2005, and chose to transition using the modified prospective method. SFAS 123(R) is a revision of SFAS No. 123, *Accounting for Stock-based Compensation*, which supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. SFAS 123(R) requires all share-based payments to employees be recognized in earnings based on their grant date fair values over the corresponding service period and also requires an estimation of forfeitures when calculating compensation expense. We did not recognize any additional compensation cost associated with unvested share-based awards as a result of this adoption.

Prior to adopting SFAS 123(R), we accounted for stock-based compensation using the fair value method of accounting as prescribed by SFAS 123. We transitioned to SFAS 123 under the provisions of SFAS No. 148, *Accounting for Stock-based Compensation Transition and Disclosure*. SFAS 148 provided alternative methods of transition for a voluntary change to the fair value based method of accounting. As a result, we expensed employee stock awards over their vesting periods based upon the fair value of the award on the date of the grant.

Prior to February 22, 2005, Cendant granted stock options and Restricted Stock Units (RSUs) to our employees. On February 22, 2005 we converted substantially all vested and unvested Cendant stock options into vested options to purchase our common stock. We recorded a one-time charge of \$1,524 for this conversion during the six months ended June 30, 2005. This charge is included in salary and other personnel expenses on our condensed consolidated statements of income and comprehensive income.

The table below summarizes the conversion-date fair value of stock options converted at February 22, 2005 and the assumptions used to calculate the conversion-date fair value using the Black-Scholes option-pricing model:

	Weighted average exercise price	Weighted average volatility	Weighted average risk-free rate	Weighted average dividend yield	Weighted average fair value
Weighted average expected life	\$13.72 per share	30.00%	3.38%	0.00%	\$7.29 per share
5.3 years					

Employee stock options granted by Cendant generally had a 10-year term, vested ratably over periods ranging from two to five years and were granted with exercise prices at the then-current fair market value. All Cendant stock options converted to options to purchase our common stock have the remainder of their original lives, are fully

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

vested and were converted such that an employee received 1.27 options to purchase our common stock for each Cendant stock option. The activity of the stock option plan related to our employees consisted of:

	Six months ended June 30,			
	2006		2005	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Wright Express stock options				
Outstanding at January 1	530	\$ 13.72		
Granted			555	\$ 13.72
Exercised	(89)	\$ 13.71	(5)	\$ 13.13
Outstanding at June 30	441	\$ 13.73	550	\$ 13.72

Also on February 22, 2005, we converted all Cendant RSUs into shares of our common stock. We recorded a one-time charge associated with the conversion of Cendant RSUs into Wright Express common stock during the six months ended June 30, 2005, totaling \$3,955. This charge has been included in salary and other personnel expenses on our condensed consolidated statements of income and comprehensive income.

Under our stock-based compensation programs, we issued RSUs and Performance Based Restricted Stock Units (PSUs) during the first six months of 2006 and RSUs during 2005. The RSUs and PSUs vest over four years. The number of PSUs that will be received is based on year-end financial results and corporate objectives. The number of PSUs issued may vary from 0 percent up to 200 percent, or up to 126 shares, depending on the achievement of corporate goals, at a weighted average grant price of \$27.66 per share. The RSU activity under the 2005 Wright Express Corporation Equity and Incentive Plan and the 2006 annual grant related to our employees consisted of:

	Six months ended June 30,	
	2006	2005
	Weighted	Weighted

	Restricted Stock Units	Average Grant Price	Restricted Stock Units	Average Grant Price
Wright Express RSUs				
Outstanding at January 1	565	\$ 19.41		
Granted	79	\$ 27.64	349	\$ 18.00
Vested	(53)	\$ 18.00		
Forfeited or canceled ⁽¹⁾	(31)	\$ 18.00	(3)	\$ 18.00
Outstanding at June 30	560	\$ 20.78	346	\$ 18.00

⁽¹⁾ Includes RSUs withheld for income tax purposes. We paid cash on behalf of employees to offset the minimum tax liabilities in lieu of issuing common stock.

We recorded compensation expense related to PSUs and RSUs issued in 2006 of \$200 during the second quarter of 2006. The expense related to the PSUs is recorded at 100 percent, or 63 shares, in anticipation of us

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

achieving our corporate goals. These expenses are recorded in salary and other personnel expenses on our condensed consolidated statements of income and comprehensive income.

We recorded compensation expense related to previously issued RSUs of \$646 during the three months ended June 30, 2006 and \$1,353 during the six months ended June 30, 2006, as compared to \$354 during the three months ended June 30, 2005, and \$450 during the six months ended June 30, 2005. These expenses are recorded in salary and other personnel expenses on our condensed consolidated statements of income and comprehensive income.

The following table illustrates the effect on net income if the fair value based method had been applied to all employee stock awards granted for all periods presented:

	Six months ended	
	June 30,	
	2006	2005
Reported net income (loss)	\$21,206	\$(3,489)
Add back:		
Stock-based employee compensation expense included in reported net income, net of tax	1,028	3,691
Less:		
Total stock-based employee compensation expense, net of tax ⁽¹⁾	(1,028)	(3,819)
Pro forma net income (loss)	\$21,206	\$(3,617)
Earnings (loss) per share, as reported:		
Basic	\$ 0.53	\$ (0.09)
Diluted	\$ 0.52	\$ (0.09)
Pro forma earnings (loss) per share:		
Basic	\$ 0.53	\$ (0.09)
Diluted	\$ 0.52	\$ (0.09)

⁽¹⁾ Determined under the fair value based method for all awards.

3. Reserves for Credit Losses

The following table presents changes in reserves for credit losses related to accounts receivable:

Three months ended	Six months ended
June 30,	June 30,

	2006	2005	2006	2005
Balance, beginning of period	\$ 5,380	\$ 4,919	\$ 4,627	\$ 4,212
Provision for credit losses	2,302	1,940	6,220	4,877
Charge-offs	(3,915)	(3,106)	(7,859)	(6,107)
Recoveries of amounts previously charged-off	1,421	962	2,200	1,733
Balance, end of period	\$ 5,188	\$ 4,715	\$ 5,188	\$ 4,715

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

4. Goodwill and Other Intangible Assets

Goodwill and other intangible assets are allocated to the following business segments:

	June 30, 2006	December 31, 2005
	Net Carrying Amount	Net Carrying Amount
Unamortized Intangible Assets		
Goodwill		
Fleet	\$ 263,148	\$ 263,148
MasterCard	9,713	9,713
Total	\$ 272,861	\$ 272,861
Trademark		
Fleet	\$ 2,339	\$ 2,339
MasterCard	82	82
Total	\$ 2,421	\$ 2,421

5. Deposits and Borrowed Federal Funds

The following table presents information about deposits:

	June 30, 2006	December 31, 2005
Certificates of deposits with maturities within 1 year	\$310,404	\$ 294,171
Certificates of deposits with maturities greater than 1 year and less than 5 years	99,123	39,276
Non-interest bearing deposits	4,789	4,778

Money market deposits			26
Total		\$414,316	\$ 338,251
Weighted average cost of funds on certificates of deposit		5.29%	3.98%

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

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Average interest rate:				
Deposits	4.68%	3.17%	4.65%	2.98%
Borrowed federal funds	5.10%	3.01%	4.96%	2.94%
Average debt balance	\$393,980	\$290,656	\$364,047	\$260,101

We had federal funds lines of credit of \$110,000 at June 30, 2006 and at December 31, 2005. The average rate on the outstanding lines of credit was 5.50 percent at June 30, 2006 and 4.35 percent at December 31, 2005.

6. Derivative Instruments

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

Fuel Price Derivatives

Our current derivative instruments are in the form of put and call option contracts (Options) based on the wholesale price of unleaded gasoline and the retail price of diesel fuel, which expire on a monthly basis through June 2008. The Options are intended to reduce the volatility that changes to retail fuel prices during any given month would have on our cash flows subject to fuel price variations.

In January 2005, we entered into Options based on the then current market price of unleaded gasoline, which were to expire on a monthly basis through December 2006. The contracts that extended past March 2005 were terminated in January 2005 by our former parent company and resulted in a realized loss of \$8,450.

Realized losses on the Options totaled \$13,047 for the three months ended June 30, 2006, and \$19,099 for the six months ended June 30, 2006, as compared to realized losses of \$3,895 for the three months ended June 30, 2005 and \$13,723 for the six months ended June 30, 2005. The 2005 realized losses included the realized loss from termination of the original Options. We recognized unrealized losses of \$7,462 for the three months ended June 30, 2006 and \$8,888 for the six months ended June 30, 2006. We recognized unrealized gains of \$6,553 for the three months ended June 30, 2005 and unrealized losses of \$27,821 for the six months ended June 30, 2005 for the change

in fair value of the Options which has been recorded in net realized and unrealized losses on derivative instruments in the condensed consolidated statements of income and comprehensive income. Management intends to hold the Options until their scheduled expirations.

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WRIGHT EXPRESS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in thousands, except per share data)
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Interest Rate Swaps

In April 2005, we entered into two interest rate swaps (the Swaps) for the purpose of hedging the variability on a portion of the future interest payments on our variable rate debt instruments. The following table presents information about the Swaps:

Weighted average fixed base rate	3.85%
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Aggregate notional amount of the Swaps:

For the period April 24, 2006 through October 22, 2006	\$ 100,000
For the period October 23, 2006 through April 23, 2007	\$ 80,000

Realized gains on the Swaps totaled \$304 for the three months ended June 30, 2006 and \$506 for the six months ended June 30, 2006. Realized losses on these derivative instruments totaled \$210 for the three and six months ended June 30, 2005. These amounts have been recorded in financing interest expense on the condensed consolidated statements of income and comprehensive income. Unrealized losses on the Swaps totaled \$69 (\$20 net of tax) for the three months ended June 30, 2006, and an unrealized gain of \$85 (\$48 net of tax) for the six months ended June 30, 2006. Unrealized gains on the Swaps totaled \$21 (\$13 net of tax) for the three months and six months ended June 30, 2005. These amounts have been recorded in accumulated other comprehensive income on the condensed consolidated balance sheet as of June 30, 2006 and 2005. No ineffectiveness was reclassified into earnings during the three months and six months ended June 30, 2006 or 2005.

7. Related Parties

Activity with Cendant recorded in due to related parties consisted of:

	Three and six months ended June 30,	
	2006	2005
Due to Cendant, beginning balance	\$	\$ 91,466
Income taxes		(5,970)
Payroll-related charges		4,127
Corporate allocations		813
Dividend to forgive balance due from Cendant		8,687
MasterCard line of credit activity		(4,073)
Cash payments		(95,050)
Due to Cendant, ending balance	\$	\$

Cendant administered our payroll and related expenses during 2005. We reimbursed Cendant for the administration and the related costs of the payroll expenses. Cendant provided information technology services, telecommunication services and internal audit services. Amounts paid to Cendant for related party transactions are reflected in the table above. As of February 22, 2005, Cendant was no longer a related party of Wright Express.

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WRIGHT EXPRESS CORPORATION
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8. Earnings per Share

For purposes of calculating basic and diluted earnings per share, we used the following weighted average common shares outstanding:

		Three months ended June 30,		Six months ended June 30,	
		2006	2005	2006	2005
Weighted average common shares outstanding	Basic	40,331	40,186	40,288	40,186
Unvested restricted stock units		559	347	546	
Stock options		196	95	201	
Convertible, redeemable preferred stock			444		
Weighted average common shares outstanding	Diluted	41,086	41,072	41,035	40,186

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

Unvested restricted stock units					348
Stock options					101
Convertible, redeemable preferred stock		444		444	444
Total		444		444	893

9. Commitments and Contingencies*Litigation*

On October 14, 2003, Enron Corporation (Enron) filed preference and fraudulent transfer claims against FSC in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) seeking the return of \$2,779 paid to us prior to the Enron bankruptcy. Enron added additional claims for allegedly preferential transfers and sought an additional \$526 by way of an amended complaint on December 1, 2003. We filed an answer on July 30, 2004 asserting various defenses. On March 31, 2006, the parties filed a joint motion seeking Bankruptcy Court s approval of a settlement agreement, under which: (i) FSC would pay Enron \$705; (ii) Enron would grant FSC, pursuant to section 502(h) of the United States Bankruptcy Code, an allowed Class 4 General Unsecured Claim in the fixed, liquidated amount of \$705; and (iii) the parties would agree to mutually release all claims arising under Chapter 5 of the United States Bankruptcy Code that the parties have against each other. On April 27, 2006, the Bankruptcy Court issued an order approving the settlement. On May 12, 2006, we paid Enron \$705. We then sold our

502(h) claim on May 15, 2006 in exchange for \$268.

10. Tax receivable agreement

As a consequence of the Company's separation from Cendant, the Company increased the tax basis of its tangible and intangible assets to their fair market value. This increase in tax basis allows the Company the ability to reduce the amount of future tax payments to the extent that the Company has future taxable income. As a result of the increase in tax basis, the Company is entitled to future tax benefits of \$517,347. The Company is obligated, however, pursuant to its Tax Receivable Agreement with Cendant, to pay to Cendant, on an after-tax basis, 85% of the amount of tax the Company saves for each tax period as a result of these increased tax benefits. The Company has recorded \$414,798 for this obligation to Cendant as a liability on the condensed consolidated balance sheets. For the six months ended June 30, 2006, we paid Cendant \$9,479 in accordance with the Tax Receivable Agreement.

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WRIGHT EXPRESS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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11. Segment Information

Our chief decision maker evaluates the operating results of our reportable segments based upon revenues and adjusted net income, which is defined as net income, the most directly comparable GAAP financial measure, adjusted for fair value changes of derivative instruments, losses in 2005 related to the termination of the derivative contracts that extended past March 2005 (as discussed in Note 6, *Derivative Instruments*) and stock-based compensation costs related to the conversion and vesting of equity instruments in conjunction with our IPO in 2005 (as discussed in Note 2, *Stock-based Compensation*). Our presentation of adjusted net income is a non-GAAP measure and may not be comparable to similarly titled measures used by other companies. The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies in Note 2, *Summary of Significant Accounting Policies*, in Wright Express's annual report on Form 10-K/A for the fiscal year ended December 31, 2005. The following table presents our operating segment results for the three months and six months ended June 30, 2006 and 2005:

	Total Revenues	Operating Interest Expense	Depreciation and Amortization	Provision for Income Taxes	Adjusted Net Income
Three months ended June 30, 2006					
Fleet	\$ 71,291	\$ 5,623	\$ 2,654	\$ 6,970	\$ 12,703
MasterCard	4,873	419	38	708	1,418
Total	\$ 76,164	\$ 6,042	\$ 2,692	\$ 7,678	\$ 14,121
Three months ended June 30, 2005					
Fleet	\$ 53,684	\$ 3,008	\$ 2,639	\$ 6,568	\$ 10,700
MasterCard	3,627	184	45	271	460
Total	\$ 57,311	\$ 3,192	\$ 2,684	\$ 6,839	\$ 11,160

Operating Depreciation

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	Total Revenues	Interest Expense	and Amortization	Provision for Income Taxes	Adjusted Net Income
Six months ended June 30, 2006					
Fleet	\$ 132,378	\$ 9,952	\$ 5,131	\$ 13,628	\$ 24,605
MasterCard	8,424	697	75	911	1,782
Total	\$ 140,802	\$ 10,649	\$ 5,206	\$ 14,539	\$ 26,387
Six months ended June 30, 2005					
Fleet	\$ 101,042	\$ 5,144	\$ 4,559	\$ 13,250	\$ 21,619
MasterCard	8,471	309	97	541	883
Total	\$ 109,513	\$ 5,453	\$ 4,656	\$ 13,791	\$ 22,502

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

The following table reconciles adjusted net income to net income:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Adjusted net income	\$14,121	\$11,160	\$26,387	\$ 22,502
Unrealized gains (losses) on derivative instruments	(7,462)	6,553	(8,888)	(27,821)
Loss related to the termination of the derivative contracts that extended past March 2005				(8,450)
Costs associated with the conversion of equity instruments and the vesting of restricted cash units				(5,723)
Tax impact	3,197	(2,729)	3,707	16,003
Net income (loss)	\$ 9,856	\$14,984	\$21,206	\$ (3,489)

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

The Company has restated its previously issued Consolidated Balance Sheets as of December 31, 2005 and Condensed Consolidated Balance Sheets as of June 30, 2006. This restatement adjusted deferred income taxes, goodwill and stockholders' equity previously reported in the quarter ended June 30, 2006 and fiscal year 2005 financial statements as detailed in Note 1 to the Condensed Consolidated Financial Statements. All affected amounts and period-to-period comparisons described herein have been restated.

*We intend for this discussion to provide the reader with information that will assist you in understanding our financial statements, the changes in key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting estimates affect our financial statements. The discussion also provides information about the financial results of the two segments of our business to provide a better understanding of how those segments and their results affect our financial condition and results of operations as a whole. This discussion should be read in conjunction with our audited financial statements as of December 31, 2005, the notes accompanying those financial statements as contained in our annual report on Form 10-K/A filed with the SEC on November 20, 2006 and in conjunction with the unaudited condensed consolidated financial statements and notes in **Item 1** of this report.*

Overview

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

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

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

Highlights

Total fuel transactions processed increased 8 percent during the three months ended June 30, 2006, over the same period last year, to 61.1 million, and increased 9 percent during the six months ended June 30, 2006, over the same period last year, to 119.2 million.

Average number of vehicles serviced increased to 4.3 million as of June 30, 2006, a 6 percent increase for the three months ended June 30, 2006 over the same period last year and an 8 percent increase for the six months ended June 30, 2006.

Fuel price per gallon averaged \$2.86 for the three months ended June 30, 2006, compared with \$2.20 for the same period a year ago, an increase of 30 percent. Fuel price per gallon averaged \$2.64 for the six months ended June 30, 2006, compared with \$2.09 for the same period a year ago, an increase of 26 percent. Our average expenditure per fuel payment processing transaction increased to \$57.45 for the three months ended June 30, 2006, an increase of 30 percent from the same period last year. Our average expenditure per fuel payment processing transaction increased to \$53.17 for the six months ended June 30, 2006, an increase of 28 percent from the same period last year.

Total MasterCard purchase volume grew to \$332.7 million for the three months ended June 30, 2006, an increase of 47 percent over the same period last year, and grew to \$602.1 million for the six months ended June 30, 2006, an increase of 25 percent over the same period last year.

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Credit losses in our Fleet operating segment were 10.9 basis points of total fuel expenditures on payment processing transactions for the three months ended June 30, 2006, and 13.2 basis points of total fuel expenditures on payment processing transactions for the six months ended June 30, 2006. Credit losses in our fleet operating segment were \$2.6 million for the three months ended June 30, 2006, and \$6.2 million for the six months ended June 30, 2006.

Our average interest rate for operating debt increased from 3.2 percent for the three months ended June 30, 2005, to 4.8 percent for the three months ended June 30, 2006. Our average interest rate for operating debt increased from 3.0 percent for the six months ended June 30, 2005, to 4.6 percent for the six months ended June 30, 2006.

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

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

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

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	Increase (decrease)	2006	2005	Increase (decrease)
Revenues						
Payment processing revenue	\$ 53.6	\$ 38.4	40 %	\$ 97.2	\$ 70.8	37 %
Transaction processing revenue	4.3	4.3	%	8.5	8.4	1 %
Account servicing revenue	5.9	5.8	2 %	11.8	11.4	4 %
Finance fees	5.2	3.0	73 %	10.4	6.2	68 %
Other	2.4	2.1	14 %	4.5	4.2	7 %
Total revenues	71.4	53.6	33 %	132.4	101.0	31 %
Operating expenses	35.0	28.4	23 %	67.7	61.2	11 %
Operating income	36.4	25.2	44 %	64.7	39.8	63 %
Financing interest expense	(3.7)	(4.1)	(10) %	(7.4)	(5.5)	35 %
Net realized and unrealized (losses) gains on derivative instruments	(20.5)	2.7	NM	(28.0)	(41.5)	(33) %
Income (loss) before taxes	12.2	23.8	(49) %	29.3	(7.2)	NM
Provision (benefit) for income taxes	3.8	9.3	(59) %	9.9	(2.8)	NM
Net income (loss)	\$ 8.4	\$ 14.5	(42) %	\$ 19.4	\$ (4.4)	NM
Key operating statistics						
<u>Payment processing revenue:</u>						
Payment processing transactions	46.0	40.9	12 %	89.5	78.3	14 %
Average expenditure per payment processing transaction	\$57.45	\$44.03	30 %	\$53.17	\$41.64	28 %
Average price per gallon of fuel	\$ 2.86	\$ 2.20	30 %	\$ 2.64	\$ 2.09	26 %
<u>Transaction processing revenue:</u>						
Transaction processing transactions	15.1	15.9	(5) %	29.7	31.0	(4) %

Account servicing revenue:

Average number of vehicles serviced	4.28	4.03	6 %	4.28	3.97	8 %
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**NM The result of
the calculation
is not
meaningful.**

Payment processing revenue increased \$15.2 million for the three months ended June 30, 2006, as compared to the same period in the prior year. This increase is primarily due to a 30 percent increase in the average price per gallon of fuel as well as a 12 percent increase in the number of payment processing transactions. Payment processing revenue increased \$26.4 million for the six months ended June 30, 2006 as compared to the same period in the prior year. This increase is primarily due to a 26 percent increase in the average price per gallon of fuel as well as a 14 percent increase in the number of payment processing transactions.

Transaction processing transactions decreased for the three months ended June 30, 2006, by approximately 0.8 million transactions and by approximately 1.3 million transactions for the six months ended June 30, 2006. These decreases are due primarily from two strategic relationships converting 1.4 million transactions from transaction processing to payment processing during 2006. Transaction revenue remained relatively flat for the comparable periods.

Finance fees increased \$2.2 million for the three months ended June 30, 2006, and increased \$4.2 million for the six months ended June 30, 2006, primarily due to higher average daily account receivable balances subject to late fees, due to elevated fuel prices and an increase in payment processing transactions.

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Salary and other personnel expense increased \$1.6 million for the three months ended June 30, 2006, and decreased \$2.8 million for the six months ended June 30, 2006. The increase for the three months ended June 30, 2006, was due to a \$0.6 million increase in the sales expenses, as a result of our growth in vehicles serviced. This increase in sales was due primarily to an increase in commissions of \$0.2 million and additional staffing of \$0.3 million. Additional employees added in the finance and legal departments, due to operating as a stand-alone, publicly traded company, increased salary and other personnel expense \$0.3 million. Stock compensation increased \$0.5 million during the second quarter as we expensed RSUs and PSUs related to our employee incentive programs. The decrease for the six months ended June 30, 2006, in salary and other personnel expense was due to the non-recurring charge of \$5.7 million in the first quarter of 2005 associated with the issuance of common stock in exchange for Cendant restricted stock units and options to purchase shares of our common stock in exchange for Cendant stock options held by our employees in 2005. The decrease was offset by increases in sales of \$1.3 million, primarily due to \$0.6 million in commissions, \$0.3 million in salary and contractor expense and \$0.4 million in other expenses associated with our growth in vehicles serviced.

Service fees increased \$0.8 million for the six months ended June 30, 2006. The increase was primarily due to costs associated with management consulting fees and professional service fees in connection with Sarbanes-Oxley compliance readiness and other management initiatives.

Total credit loss as a percentage of total expenditures on payment processing transactions declined 0.5 basis points to 10.9 during the three months ended June 30, 2006 and declined 0.6 basis points to 13.2 basis points during the six months ended June 30, 2006. The provision for credit losses for the three months ended June 30, 2006, increased \$0.8 million and increased \$1.7 million for the six months ended June 30, 2006, primarily due to increases in our accounts receivable balance due to higher fuel prices per gallon.

Operating interest expense increased \$2.6 million for the three months ended June 30, 2006 and \$4.8 during the six months ended June 30, 2006, compared to the same periods in the prior year, as we incurred fees to finance our receivables that pertain to our funded payment processing transactions. The increase in our interest expense is also due to an increase in weighted average interest rates to 4.8 percent in the three months ended June 30, 2006, compared to 3.2 percent for the same period in the prior year. The weighted average interest rates increased to 4.6 percent in the six months ended June 30, 2006, compared to 3.0 percent for the same period in the prior year. Our average debt balance for the three months ended June 30, 2006 totaled \$394.0 million, as compared to our average debt balance of \$290.7 million for the same period in the prior year. Our average debt balance for the six months ended June 30, 2006 totaled \$364.0 million, as compared to our average debt balance of \$260.1 million for the same period in the prior year. Changes in interest rates could create volatility in our operating interest expense.

Finance interest expense is related to the corporate credit facility that we entered into in February 2005 and the preferred stock that we issued as part of our IPO. Finance interest expense remained relatively flat for the three months ended June 30, 2006 as compared to the same period in the prior year, primarily due to lower balances at higher interest rates. Interest expense for the six months ended June 30, 2006 increased \$1.9 million over the same period in the prior year. Interest expense for 2005 reflects approximately four months of expense as compared to the six months of expense in 2006. Also contributing to the increase in interest expense during the six months ended June 30, 2006, was an increase in the one-month LIBOR rate.

We own fuel price-sensitive derivative instruments that we purchased on a periodic basis to manage the impact that volatility in fuel prices has on our cash flows. Our derivative instruments do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Gains and losses on our fuel price-sensitive derivative instruments will affect our net income. Of the total losses, approximately \$13.0 million for the three months ended June 30, 2006, and \$3.9 million for the three months ended June 30, 2005, and approximately \$19.1 million for the six months ended June 30, 2006, and \$13.7 million for the six months ended June 30, 2005, were net realized losses. We recognized unrealized losses of approximately \$7.5 million for the three months ended June 30, 2006, and unrealized gains of \$6.6 million for the three months ended June 30, 2005. We recognized unrealized losses of approximately \$8.9 million for the six months ended June 30, 2006, and recognized unrealized losses of \$27.8 million for the six months ended June 30, 2005.

The effective tax rate was 31.3 percent for the three months ended June 30, 2006, and 33.8 percent for the six months ended June 30, 2006. Quarterly fluctuations in the effective tax rate are due to our unrealized losses on our fuel derivative instruments and the impact of these losses on the state component of our effective tax rate. As the price of fuel changes and impacts our fuel price derivatives, our effective tax rate will fluctuate.

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Table of Contents**MasterCard**

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

(in millions)

	Three months ended June 30,		Increase (decrease)	Six months ended June 30,		Increase (decrease)
	2006	2005		2006	2005	
Revenues						
Payment processing revenue	\$ 4.1	\$ 3.4	21 %	\$ 7.5	\$ 5.8	29 %
Finance fees	0.1		NM	0.1		NM
Other	0.6	0.3	100 %	0.8	2.7	(70) %
Total revenues	4.8	3.7	30 %	8.4	8.5	(1) %
Operating expenses	2.7	2.9	(7) %	5.7	7.0	(19) %
Income before taxes	2.1	0.8	163 %	2.7	1.5	80 %
Provision for income taxes	0.7	0.3	133 %	0.9	0.6	50 %
Net income	\$ 1.4	\$ 0.5	180 %	\$ 1.8	\$ 0.9	100 %

Key operating statistics**Payment processing revenue:**

Total MasterCard purchase volume	\$ 332.7	\$ 225.7	47 %	\$ 602.1	\$ 481.1	25 %
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NM The result of the calculation is not meaningful.

Our purchase card product continues to drive growth in our MasterCard segment. Our MasterCard purchase volume grew by over \$100 million in the second quarter as our Jackson Hewitt stored-value program was seasonal and only impacted comparability for the first three months of the year.

The increase in payment processing revenue in 2006 is directly attributed to growth in our purchase card product. The decrease in other revenue for the six months ended June 30, 2006 is primarily the result of the loss of the Jackson Hewitt stored value program in 2005. For the six months ended June 30, 2005, we recognized \$0.2 million of

net income related to the Jackson Hewitt stored value program.

As a member bank of MasterCard, our wholly-owned bank subsidiary received \$0.5 million from MasterCard as part of MasterCard's Initial Public Offering. These proceeds were included in other revenues. We currently own 27,578 shares of MasterCard Class B stock.

Operating expenses decreased by \$0.2 million during the second quarter. This decrease was primarily due to the reduction in the credit loss reserve of \$0.3 million, as a result of adjusting our loss estimates based on actual charge-off experience. Previously, our loss estimates were based on publicly available loss data for similar credit products.

The decrease in expense for the six months ended June 30, 2006 versus the same period in 2005 is primarily due to a decrease of \$2.7 million in service fees related to the Jackson Hewitt stored value program, offset by fees related to the growth in our purchasing card product.

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

The following table summarizes our financial position at June 30, 2006 compared to December 31, 2005:

(in millions)

	June 30, 2006	December 31, 2005	Change	
			Amount	Percent
Assets				
Cash and cash equivalents	\$ 16.6	\$ 45.0	\$ (28.4)	(63) %
Accounts receivable, net	890.9	652.1	238.8	37 %
Deferred income taxes	396.8	403.1	(6.3)	(2) %
All other assets	332.3	348.1	(15.8)	(5) %
Total assets	\$ 1,636.6	\$ 1,448.3	\$ 188.3	13 %
Liabilities and stockholders equity				
Accounts payable	\$ 396.1	\$ 254.4	\$ 141.7	56 %
Deposits and borrowed federal funds	423.7	377.3	46.4	12 %
Due to Cendant under tax receivable agreement	414.8	424.3	(9.5)	(2) %
All other liabilities	275.9	289.7	(13.8)	(5) %
Total liabilities	1,510.5	1,345.7	164.8	12 %
Stockholders equity	126.1	102.6	23.5	23 %
Total liabilities and stockholders equity	\$ 1,636.6	\$ 1,448.3	\$ 188.3	13 %

Net accounts receivable have increased as a result of our payment processing transaction growth and significantly higher fuel prices that increased our average expenditure per payment processing transaction. As a result of our higher accounts receivable balance, accounts payable, deposits and borrowed federal funds have increased to fund this balance.

Our operations for the six months ended June 30, 2006, used approximately \$28 million of cash. This amount was higher than the decrease of approximately \$4 million for the same period a year ago. Cash used by operations increased period over period by approximately \$60 million as accounts receivable balance has increased due to increases in fuel prices and number of fuel transactions. During the six months ended June 30, 2006, we had a \$15 million security mature which resulted in cash from investing activities of \$8 million compared to cash used for investing activities of approximately \$6 million for the same period a year ago. During the six months of 2006 we paid down \$21.5 million in principal of our financing debt.

For the six months ended June 30, 2006, approximately \$6 million was used for capital expenditures primarily to enhance our product features and functionality and to acquire information systems and personal computer office equipment. This amount was consistent with capital expenditures during the same period a year ago.

Management believes that we can adequately fund our cash needs during the next 12 months. We have three main sources of liquidity in addition to cash from operating activities.

We utilize certificates of deposit to finance the accounts receivable of our bank subsidiary, FSC. FSC issues certificates of deposit in denominations of \$100,000 in various maturities ranging between three months and three years and with effective annual fixed rates ranging from 4.2% to 5.7%. As of June 30, 2006, we had approximately \$410 million of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

We also utilize federal funds lines of credit to supplement the financing of the accounts receivable of our bank subsidiary. Our federal funds lines of credit were increased to \$130 million in July of 2006.

In addition, we have a revolving line-of-credit facility agreement (Revolver) that provides a total available line-of-credit of \$130 million. At June 30, 2006 we had outstanding borrowings on the Revolver of \$48 million.

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Our credit agreement contains various financial covenants requiring us to maintain certain financial ratios. In addition to the financial covenants, the credit agreement contains various customary restrictive covenants that limit the Company's 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. The Company was in compliance with all material covenants and restrictions at June 30, 2006.

Application of Critical Accounting Policies and Estimates

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

The nature of the estimates or assumptions is material due to the level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

The impact of the estimates and assumptions on financial condition or operating performance is material.

Reserve for Credit Losses

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

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

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

amounts currently due;

the age of the balances; and

estimated bankruptcy rates.

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

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

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The following table summarizes the impact that differences in estimated loss rates would have on the reserve for credit losses at June 30, 2006:

Change in Reserve and Related Provision (in thousands)	Impact
Balance as reported June 30, 2006	\$ 5,188
Increase in loss rate by:	
10%	\$ 324
20%	\$ 648
30%	\$ 971

Income Taxes

In calculating our effective tax rate we apportion income among various state tax jurisdictions. Although we believe that the estimates and judgments utilized to calculate the effective tax rate are reasonable, actual results may differ by a material amount.

Significant judgment is required in determining if any valuation allowance recorded against deferred tax assets is necessary. In assessing the need for a valuation allowance, we consider all available evidence including past operating results, estimates of future taxable income and the feasibility of ongoing tax planning strategies. We have not currently recorded a valuation allowance based on the analysis and tax planning performed to date.

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

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

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

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

Our failure to respond to competitive pressures with reduced fees or increased levels of capabilities and services. Major oil companies who have not traditionally provided universally accepted transaction processing may issue competing products and information management services specifically tailored to their fleet customers.

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

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

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

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

The actions of regulatory bodies, including bank regulators.

Acts of terrorism, war, or civil disturbance.
A decline in general economic conditions.

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

The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in our Company's Securities and Exchange Commission filings, including the risk factors included in **Item 1A** of our annual report on Form 10-K/A for the year ended December 31, 2005.

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

Changes in Accounting Policies and Recently Issued Accounting Pronouncements

During the three months ended June 30, 2006, there were no changes to accounting policies that had or are expected to have a material effect on our financial position or results of operations.

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140*. This Statement amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets*. This Statement is effective after the first fiscal year that begins after September 15, 2006. We believe that the adoption of this standard will have no material impact on our financial statements.

In March 2006 the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statements No.140*. This Statement amends FASB Statements No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and liabilities. This Statement is effective after the first fiscal year that begins after September 15, 2006. We believe that the adoption of this standard will have no material impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The following Quantitative and Qualitative Disclosures about Market Risk should be read in conjunction with our annual report on Form 10-K/A filed with the Securities and Exchange Commission on November 20, 2006.

Commodity Price Risk

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

(in thousands, except per gallon data)

Change in price per gallon	\$ (0.30)	\$ (0.20)	\$ (0.10)	\$ 0.10	\$ 0.20	\$ 0.30
Effect on:						
Revenue	\$ (5,931.0)	\$ (3,954.0)	\$ (1,977.0)	\$ 1,977.0	\$ 3,954.0	\$ 5,931.0
Expenses	(1,008.3)	(672.2)	(336.1)	336.1	672.2	1,008.3
Operating income	\$ (4,922.7)	\$ (3,281.8)	\$ (1,640.9)	\$ 1,640.9	\$ 3,281.8	\$ 4,922.7

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We use derivative instruments to manage the impact of volatility in fuel prices. We enter into put and call option contracts (Options) based on the wholesale price of unleaded gasoline and retail price of diesel fuel, which expire on a monthly basis according to the schedule below. The Options are intended to lock in a range of prices during any given quarter on a portion of our forecasted earnings subject to fuel price variations. Our fuel-price risk management program is designed to purchase derivative instruments to manage the Company's fuel-price-related earnings exposure going forward. We plan to continue locking in about 90 percent of our earnings exposure every quarter, on a rolling basis. The following table presents information about the Options as of June 30, 2006:

	Percentage ^(a)	Weighted Average Price ^(b)	
		Floor	Ceiling
For the period July 1, 2006 through December 31, 2006 ^(c)	90%	\$ 1.88	\$ 1.95
For the period January 1, 2007 through June 30, 2007	90%	\$ 2.29	\$ 2.36
For the period July 1, 2007 through September 30, 2007	90%	\$ 2.32	\$ 2.39
For the period October 1, 2007 through December 31, 2007	90%	\$ 2.41	\$ 2.48
For the period January 1, 2008 through March 31, 2008	60%	\$ 2.48	\$ 2.55
For the period April 1, 2008 through June 30, 2008	30%	\$ 2.61	\$ 2.67

(a) Represents the percentage of the Company's forecasted revenue subject to fuel price variations to which the Options pertain in 2006 and the percentage of the Company's forecasted earnings subject to fuel price variations to which the Options pertain in 2007 and beyond.

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

- (c) Options that expire during 2006 are based only on unleaded gasoline.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

In connection with the original filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, our Chief Executive Officer and Chief Financial Officer, with the participation of our management, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2006. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

As a result of the errors and the related restatement discussed in Note 1 to the condensed consolidated financial statements our Chief Executive Officer and Chief Financial Officer, with the participation of our management, reevaluated the effectiveness of our disclosure controls and procedures in connection with filing this amended Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2006. As a result of the material weaknesses discussed below, our management has concluded, based on their reevaluation, that as of the end of the period covered by this report, our disclosure controls and procedures were not effective. Notwithstanding the material weaknesses discussed below, our Chief Executive Officer and Chief Financial Officer have concluded that the financial statements included in this Form 10-Q/A present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

Our Chief Executive Officer and Chief Financial Officer, in conjunction with management, have determined that as of June 30, 2006 the Company has a material weakness relating to the controls over accounting for goodwill and related deferred income taxes. Specifically, the Company's procedures did not operate effectively to detect certain errors in the computation of goodwill in 2001 and the related effects that the initial public offering in 2005 had on the tax treatment of such goodwill. As discussed in Note 1 to the condensed consolidated financial statements, the Company is restating for these errors.

Remediation Status

To remedy this material weakness, the Company has engaged additional resources to add an additional layer to the preparation and review of any similar transactions and strengthened internal resources with subject matter expertise. These changes either have been, or are in the process of being, implemented.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. On April 17, 2006, Wright Express implemented a new general ledger system to record and report financial transactions beginning in the second quarter of 2006.

Subsequent to the initial issuance of our condensed consolidated financial statements for the quarter ended June 30, 2006, the Company determined that it was necessary to restate these financial statements due to the goodwill and deferred income tax errors described above. As of the date of this filing the Company has, or is in the process of implementing changes to its internal control over the accounting for goodwill and the associated deferred income taxes subsequent to the period covered by this report. The Company will continue to assess these changes and will supplement them as necessary.

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On October 14, 2003, Enron Corporation (Enron) filed preference and fraudulent transfer claims against Wright Express Financial Services Corporation (FSC) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) seeking the return of \$2.8 million paid to us prior to the Enron bankruptcy. Enron added additional claims for allegedly preferential transfers and sought an additional \$0.5 million by way of an amended complaint on December 1, 2003. We filed an answer on July 30, 2004 asserting various defenses. On March 31, 2006, the parties filed a joint motion seeking Bankruptcy Court s approval of a settlement agreement, under which: (i) FSC would pay Enron \$0.7 million; (ii) Enron would grant FSC, pursuant to section 502(h) of the United States Bankruptcy Code, an allowed Class 4 General Unsecured Claim in the fixed, liquidated amount of \$0.7 million; and (iii) the parties would agree to mutually release all claims arising under Chapter 5 of the United States Bankruptcy Code that the parties have against each other. On April 27, 2006, the Bankruptcy Court issued an order approving the settlement. On May 12, 2006, we paid Enron \$0.7 million. We then sold our 502(h) claim on May 15, 2006 in exchange for \$0.3 million.

Item 1A. Risk Factors.

Information regarding our risk factors appears in *Item 1A* on our annual report on Form 10-K/A for the year ended December 31, 2005. There have been no material changes to our risk factors from those disclosed in our annual report on Form 10-K/A.

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

None.

Item 3. Defaults upon Senior Securities.

None.

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

Wright Express Corporation s Annual Meeting of Stockholders was held May 19, 2006. The following matters were voted on:

- (a) Election of two directors:

Nominees	Votes For	Votes Withheld
Jack VanWoerkom	34,277,849	2,400,122
Regina O. Sommer	32,986,985	3,690,986

The following directors continued their terms in office:

Shikhar Ghosh
Kirk P. Pond
Michael E. Dubyak
Ronald T. Maheu
Rowland T. Moriarty

- (b) Approval of the Wright Express Corporation 2005 Equity and Incentive Plan:

For:	33,145,927
Against:	1,466,683
Abstain:	2,065,361
Broker non-votes	0

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(c) Ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year 2006:

For:	34,661,579
Against:	20,468
Abstain:	1,995,924
Broker non-votes	0

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.

Description

* Filed herewith

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SIGNATURE

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

WRIGHT EXPRESS CORPORATION

Date: November 20, 2006

By: /s/ Melissa D. Smith

Melissa D. Smith
*Senior Vice President and Chief Financial
Officer
(Principal Financial Officer)*

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation (incorporated by reference to Exhibit No. 3.1 to our current report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426).
3.2	Amended and Restated By-laws of Wright Express Corporation (incorporated by reference to Exhibit No. 3.1 to our current report on Form 8-K filed with the SEC on March 9, 2006, File No. 001-32426).
10.1	Wright Express Corporation Long Term Incentive Program Award Agreement (incorporated by reference to Exhibit No. 10.1 to our current report on Form 8-K filed with the SEC on April 6, 2006, File No. 001-32426)
* 31.1	Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
* 31.2	Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
* 32.1	Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
* 32.2	Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of the Chapter 63 of Title 18 of the United States Code.
*	Filed herewith