CompuCredit Holdings Corp
Form 10-Q
May 10, 2012

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

For the quarterly period ended March 31, 2012

of

COMPUCREDIT HOLDINGS CORPORATION

a Georgia Corporation

IRS Employer Identification No. 58-2336689

SEC File Number 0-53717

Five Concourse Parkway, Suite 400

Atlanta, Georgia 30328

(770) 828-2000

CompuCredit's common stock, no par value per share, is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Act").

CompuCredit (1) is required to file reports pursuant to Section 13 or Section 15(d) of the Act, (2) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months and (3) has been subject to such filing requirements for the past ninety days.

CompuCredit has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CompuCredit is a smaller reporting company and is not a shell company.

As of April 30, 2012, there were 21,996,523 shares of common stock, no par value, of the registrant outstanding. (This excludes 1,672,656 loaned shares to be returned.)

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CompuCredit Holdings Corporation and Subsidiaries
Consolidated Balance Sheets
(Dollars in thousands)

	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Unrestricted cash and cash equivalents	$ 145,305	$ 144,913
Restricted cash and cash equivalents	21,756	23,759
Loans and fees receivable:		
Loans and fees receivable, net (of $7,934 and $7,480 in deferred revenue and $7,249 and $7,156 in allowances for uncollectible loans and fees receivable at March 31, 2012 and December 31, 2011, respectively)	66,420	64,721
Loans and fees receivable pledged as collateral under structured financings, net (of $243 and $511 in deferred revenue and $5,231 and $7,537 in allowances for uncollectible loans and fees receivable at March 31, 2012 and December 31, 2011, respectively)	24,138	31,902
Loans and fees receivable, at fair value	23,510	28,226
Loans and fees receivable pledged as collateral under structured financings, at fair value	201,925	238,763
Investments in previously charged-off receivables	36,795	37,110
Investments in securities	5,995	6,203
Deferred costs, net	2,852	3,033
Property at cost, net of depreciation	8,343	8,098
Investments in equity-method investees	46,919	49,862
Prepaid expenses and other assets	11,402	11,317
Total assets	$ 595,360	$ 647,907
Liabilities		
Accounts payable and accrued expenses	42,275	47,140
Notes payable, at face value	23,600	23,765
Notes payable associated with structured financings, at face value	17,002	23,151
Notes payable associated with structured financings, at fair value	202,470	241,755
Convertible senior notes (Note 8)	177,653	176,400
Income tax liability	59,687	59,368
Total liabilities	522,687	571,579
Commitments and contingencies (Note 9)		
Equity		
Common stock, no par value, 150,000,000 shares authorized: 23,669,179 shares issued and 23,669,179 shares outstanding (including 1,672,656 loaned shares to be returned) at March 31, 2012; and 31,997,581 shares issued and 23,559,402 shares outstanding (including 1,672,656 loaned shares to be returned) at December 31, 2011	-	-
Additional paid-in capital	293,407	294,246
	-	(187,615)

Treasury stock, at cost, 0 and 8,438,179 shares at March, 31 2012 and December 31, 2011, respectively				
Accumulated other comprehensive loss		(1,315)		(2,257)
Retained deficit		(219,556)		(28,257)
Total shareholders' equity		72,536		76,117
Noncontrolling interests		137		211
Total equity		72,673		76,328
Total liabilities and equity	$	595,360	$	647,907

See accompanying notes.

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CompuCredit Holdings Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended March 31,	
	2012	2011
Interest income:		
Consumer loans, including past due fees	$26,086	$42,624
Other	202	322
Total interest income	26,288	42,946
Interest expense	(10,897)	(11,951)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	15,391	30,995
Fees and related income on earning assets	64,354	59,222
Losses upon charge off of loans and fees receivable recorded at fair value	(55,628)	(52,848)
Provision for losses on loans and fees receivable recorded at net realizable value	(2,881)	(840)
Net interest income, fees and related income on earning assets	21,236	36,529
Other operating income:		
Servicing income	1,264	966
Ancillary and interchange revenues	1,944	2,502
Gain on repurchase of convertible senior notes	-	268
Gain on buy-out of equity-method investee members	-	619
Equity in income of equity-method investees	6,017	18,304
Total other operating income	9,225	22,659
Other operating expense:		
Salaries and benefits	5,877	6,553
Card and loan servicing	19,952	19,820
Marketing and solicitation	816	437
Depreciation	472	1,998
Other	7,510	6,964
Total other operating expense	34,627	35,772
(Loss on) income from continuing operations before income taxes	(4,166)	23,416
Income tax expense	(340)	(274)
(Loss on) income from continuing operations	(4,506)	23,142
Discontinued operations:		
Income from discontinued operations before income taxes	-	8,923
Income tax expense	-	(2,312)
Income from discontinued operations	-	6,611
Net (loss) income	(4,506)	29,753
Net loss (income) attributable to noncontrolling interests (including $0 and $1,131 of income associated with noncontrolling interests in discontinued operations in the three months ended March 31, 2012 and 2011, respectively)	74	(1,298)
Net (loss) income attributable to controlling interests	$(4,432)	$28,455
(Loss on) income from continuing operations attributable to controlling interests per common share—basic	$(0.20)	$0.65

(Loss on) income from continuing operations attributable to controlling interests per common share—diluted	$(0.20)	$0.64
Income from discontinued operations attributable to controlling interests per common share—basic	$-	$0.15
Income from discontinued operations attributable to controlling interests per common share—diluted	$-	$0.15
Net (loss) income attributable to controlling interests per common share—basic	$(0.20)	$0.80
Net (loss) income attributable to controlling interests per common share—diluted	$(0.20)	$0.79

See accompanying notes.

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CompuCredit Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive (Loss) Income (Unaudited)
(Dollars in thousands)

	For the Three Months Ended March 31, 2012	For the Three Months Ended March 31, 2011
Net (loss) income	$(4,506)	$29,753
Other comprehensive (loss) income:		
Foreign currency translation adjustment	1,010	1,905
Reclassifications of foreign currency translation adjustment to consolidated statements of operations	-	(45)
Income tax related to other comprehensive income	(68)	-
Comprehensive (loss) income	(3,564)	31,613
Comprehensive loss (income) attributable to noncontrolling interests	74	(1,298)
Comprehensive (loss) income attributable to controlling interests	$(3,490)	$30,315

See accompanying notes.

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CompuCredit Holdings Corporation and Subsidiaries
Consolidated Statement of Shareholders' Equity
For the Three Months Ended March 31, 2012 (Unaudited)
(Dollars in thousands)

	Common Stock							
	Shares Issued	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Deficit	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	31,997,581	$-	$ 294,246	$ (187,615)	$ (2,257)	$ (28,257)	$ 211	$ 76,328
Use of treasury stock for stock-based compensation plans	(118,277)	-	(944)	5,169	-	(4,225)	-	-
Compensatory stock issuances	109,777	-	-	-	-	-	-	-
Amortization of deferred stock-based compensation costs	-	-	105	-	-	-	-	105
Purchase of treasury stock	-	-	-	(196)	-	-	-	(196)
Redemption and retirement of shares	(8,319,902)	-	-	182,642	-	(182,642)	-	-
Net loss	-	-	-	-	-	(4,432)	(74)	(4,506)
Foreign currency translation adjustment, net of tax	-	-	-	-	942	-	-	942
Balance at March 31, 2012	23,669,179	$-	$ 293,407	$-	$ (1,315)	$ (219,556)	$ 137	$ 72,673

See accompanying notes.

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CompuCredit Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	For the Three Months Ended March 31,	
	2012	2011
Operating activities		
Net (loss) income	$(4,506)	$29,753
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	404	2,768
Losses upon charge off of loans and fees receivable recorded at fair value	55,628	52,848
Provision for losses on loans and fees receivable	2,881	10,598
Accretion of discount on convertible senior notes	1,253	1,835
Stock-based compensation expense	105	1,682
Unrealized gain on loans and fees receivable and underlying notes payable held at fair value	(46,612)	(48,659)
Unrealized loss on trading securities	291	192
Gain on repurchase of convertible senior notes	-	(268)
Income from equity-method investments	(6,017)	(18,304)
Gain on buy-out of equity-method investee members	-	(619)
Changes in assets and liabilities, exclusive of business acquisitions:		
Decrease (increase) in uncollected fees on earning assets	15,149	(2,985)
Decrease in JRAS auto loans receivable	1,848	4,549
Decrease in deferred costs	187	-
Increase (decrease) in income tax liability	251	(2,206)
Decrease in prepaid expenses	109	3
Decrease in accounts payable and accrued expenses	(1,478)	(623)
Other	159	(2,209)
Net cash provided by operating activities	19,652	28,355
Investing activities		
Decrease (increase) in restricted cash	2,003	(2,765)
Investment in equity-method investees	(1,354)	(34,336)
Proceeds from equity-method investees	11,124	4,002
Investments in earning assets	(58,256)	(235,863)
Proceeds from earning assets	89,638	370,044
Investments in subsidiaries	(3,514)	-
Net cash associated with newly acquired consolidated subsidiaries	-	2,781
Purchases and development of property, net of disposals	(714)	(533)
Net cash provided by investing activities	38,927	103,330
Financing activities		
Noncontrolling interests contributions, net	-	600
Purchase of treasury stock	(196)	(776)
Purchases of noncontrolling interests	-	(4,042)
Proceeds from borrowings	365	9,697
Repayment of borrowings	(58,583)	(109,820)

Net cash used in financing activities	(58,414)	(104,341)
Effect of exchange rate changes on cash	227	1,171
Net increase in unrestricted cash	392	28,515
Unrestricted cash and cash equivalents at beginning of period	144,913	85,350
Unrestricted cash and cash equivalents at end of period	$145,305	$113,865
Supplemental cash flow information		
Unrestricted cash included in assets held for sale	$-	$7,344
Cash paid for interest	$10,932	$11,079
Net cash income tax payments	$89	$4,832
Supplemental non-cash information		
Notes payable associated with capital leases	$305	$-

See accompanying notes.

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CompuCredit Holdings Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2012

1. Basis of Presentation

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC") Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. They do include, however, all normal recurring adjustments that we consider necessary to fairly state our results for the interim periods.

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Certain estimates, such as credit losses, payment rates, costs of funds, discount rates and the yields earned on credit card receivables significantly affect the reported amount of two categories of credit card receivables that we report at fair value and our notes payable associated with structured financings, at fair value, as reported on our consolidated balance sheets; these estimates likewise affect our changes in fair value of loans and fees receivable recorded at fair value and changes in fair value of notes payable associated with structured financings recorded at fair value categories within our fees and related income on earning assets line item on our consolidated statements of operations. Additionally, estimates of future credit losses on our loans and fees receivable that we report at net realizable value, rather than fair value, have a significant effect on two categories of such loans and fees receivable, net, that we show on our consolidated balance sheets, as well as on the provision for losses on loans and fees receivable within our consolidated statements of operations. Operating results for the three months ended March 31, 2012 are not indicative of what our results will be for the year ending December 31, 2012.

We have reclassified certain amounts in our prior period consolidated financial statements related to the classification of our Retail Micro-Loans segment as discontinued operations to conform to current period presentation, and we have eliminated all significant intercompany balances and transactions for financial reporting purposes.

2. Significant Accounting Policies and Consolidated Financial Statement Components

The following is a summary of significant accounting policies we use to prepare our consolidated financial statements, as well as a description of significant components of our consolidated financial statements.

Loans and Fees Receivable, Net. Our two categories of loans and fees receivable, net, currently consist of receivables carried at net realizable value (1) associated with (a) U.K. credit card and U.S. private label merchant and other credit products currently being marketed within our Credit Cards and Other Investments segment, (b) credit card accounts opened under our Investment in Previously Charged-off Receivables segment's balance transfer program, and (c) our Auto Finance segment's CAR operations (all the aforementioned being labeled in loans and fees receivable, net), and (2) associated with our former ACC and JRAS auto finance businesses, which are separately labeled as pledged as collateral for non-recourse asset-backed structured financing facilities. Our balance transfer program receivables are included as a component of our Credit Cards and Other Investments segment data and aggregated $14.2 million (net of allowances for uncollectible loans and fees receivable and deferred revenue) or 4.5% of our consolidated loans and fees receivable (net or at fair value) as of March 31, 2012. Our loans and fees receivable generally are unsecured; however, our auto finance loans are secured by the underlying automobiles in which we hold the vehicle title.

The components of our aggregated categories of loans and fees receivable, net (in millions) for reporting periods relevant to this report are as follows:

	Balance at December 31, 2011	Additions	Subtractions	Balance at March 31, 2012
Loans and fees receivable, gross	$119.3	$46.6	$(54.7)	$111.2
Deferred revenue	(8.0)	(6.5)	6.4	(8.1)
Allowance for uncollectible loans and fees receivable	(14.7)	(2.9)	5.1	(12.5)
Loans and fees receivable, net	$96.6	$37.2	$(43.2)	$90.6

	Balance at December 31, 2010	Additions	Subtractions	Balance at March 31, 2011
Loans and fees receivable, gross	$227.7	$143.4	$(182.2)	$188.9
Deferred revenue	(20.5)	(16.7)	18.4	(18.8)
Allowance for uncollectible loans and fees receivable	(37.6)	(4.0)	13.4	(28.2)
Loans and fees receivable, net	$169.6	$122.7	$(150.4)	$141.9

As of March 31, 2012 and 2011, the weighted average remaining accretion periods for the $8.1 million and $18.8 million, respectively, of deferred revenue reflected in the above tables were 13.6 and 13.5 months, respectively.

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A roll-forward of our allowance for uncollectible loans and fees receivable, net (in millions) by category of loans and fees receivable is as follows:

For the Three Months Ended March 31, 2012	Credit Cards	Micro-Loans	Auto Finance	Other	Total
Allowance for uncollectible loans and fees receivable:					
Balance at beginning of period	$(4.0)	$ (1.1)	$(8.4)	$(1.2)	$(14.7)
Provision for loan losses	(1.8)	(1.4)	0.6	(0.3)	(2.9)
Charge offs	1.6	2.0	2.9	0.1	6.6
Recoveries	(0.3)	-	(1.2)	-	(1.5)
Balance at end of period	$(4.5)	$ (0.5)	$(6.1)	$(1.4)	$(12.5)
Balance at end of period individually evaluated for impairment	$-	$ -	$(0.1)	$-	$(0.1)
Balance at end of period collectively evaluated for impairment	$(4.5)	$ (0.5)	$(6.0)	$(1.4)	$(12.4)
Loans and fees receivable:					
Loans and fees receivable, gross	$24.0	$ 1.1	$78.6	$7.5	$111.2
Loans and fees receivable individually evaluated for impairment	$-	$ -	$0.2	$-	$0.2
Loans and fees receivable collectively evaluated for impairment	$24.0	$ 1.1	$78.4	$7.5	$111.0

For the Three Months Ended March 31, 2011	Credit Cards	Micro-Loans	Auto Finance	Other	Total
Allowance for uncollectible loans and fees receivable:					
Balance at beginning of period	$(4.0)	$ (5.2)	$(28.3)	$(0.1)	$(37.6)
Provision for loan losses (includes $3.2 million of provision netted within income from discontinued operations)	(0.3)	(3.5)	(0.1)	(0.1)	(4.0)
Charge offs	1.6	4.2	9.0	-	14.8
Recoveries	(0.3)	(0.2)	(1.6)	-	(2.1)
Sale of assets	-	-	0.7	-	0.7
Balance at end of period	$(3.0)	$ (4.7)	$(20.3)	$(0.2)	$(28.2)
Balance at end of period individually evaluated for impairment	$-	$ -	$(0.4)	$-	$(0.4)
Balance at end of period collectively evaluated for impairment	$(3.0)	$ (4.7)	$(19.9)	$(0.2)	$(27.8)
Loans and fees receivable:					
Loans and fees receivable, gross	$17.2	$ 38.1	$132.8	$0.8	$188.9
Loans and fees receivable individually evaluated for impairment	$-	$ -	$1.1	$-	$1.1
Loans and fees receivable collectively evaluated for impairment	$17.2	$ 38.1	$131.7	$0.8	$187.8

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The components (in millions) of loans and fees receivable, net as of the date of each of our consolidated balance sheets are as follows:

	March 31, 2012	As of December 31, 2011
Current loans receivable	$98.8	$100.9
Current fees receivable	1.6	1.9
Delinquent loans and fees receivable	10.8	16.5
Loans and fees receivable, gross	$111.2	$119.3

Delinquent loans and fees receivable reflect the principal, fee and interest components of loans that we did not collect on the contractual due date. Amounts we believe we will not ultimately collect are included as a component in our overall allowance for uncollectible loans and fees receivable and typically are charged off 180 days from the point they become delinquent for our auto finance, credit card and private label merchant credit receivables, or sooner if facts and circumstances earlier indicate non-collectability. Recoveries on accounts previously charged off are credited to the allowance for uncollectible loans and fees receivable and effectively offset our provision for loan losses in our accompanying consolidated statements of operations.

An aging of our delinquent loans and fees receivable, gross (in millions) as of March 31, 2012 and December 31, 2011 is as follows:

As of March 31, 2012	Credit Cards	Micro-Loans	Auto Finance	Other	Total
30-59 days past due	$1.1	$ 0.1	$3.8	$-	$5.0
60-89 days past due	0.8	0.2	1.2	-	2.2
Greater than 90 days past due	2.1	0.3	1.2	-	3.6
Delinquent loans and fees receivable, gross	4.0	0.6	6.2	-	10.8
Current loans and fees receivable, gross	20.0	0.5	72.4	7.5	100.4
Total loans and fees receivable, gross	$24.0	$ 1.1	$78.6	$7.5	$111.2
Balance of loans greater than 90-days delinquent still accruing interest and fees	$-	$ -	$0.8	$-	$0.8

As of December 31, 2011	Credit Cards	Micro-Loans	Auto Finance	Other	Total
30-59 days past due	$0.8	$ 0.7	$6.9	$-	$8.4
60-89 days past due	0.7	0.6	2.5	-	3.8
Greater than 90 days past due	1.5	0.9	1.9	-	4.3
Delinquent loans and fees receivable, gross	3.0	2.2	11.3	-	16.5
Current loans and fees receivable, gross	17.5	0.9	80.2	4.2	102.8
Total loans and fees receivable, gross	$20.5	$ 3.1	$91.5	$4.2	$119.3
Balance of loans greater than 90-days delinquent still accruing interest and fees	$-	$ -	$1.3	$-	$1.3

Investments in Previously Charged-Off Receivables

The following table shows (in thousands) a roll-forward of our investments in previously charged-off receivables activities:

	For the Three Months Ended March 31,	
	2012	2011
Unrecovered balance at beginning of period	$37,110	$29,889
Acquisitions of defaulted accounts	11,798	3,024
Cash collections	(26,085)	(20,628)
Cost-recovery method income recognized on defaulted accounts (included as a component of fees and related income on earning assets on our consolidated statements of operations)	13,972	10,597
Unrecovered balance at end of period	$36,795	$22,882

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Previously charged-off receivables held as of March 31, 2012 are comprised principally of: normal delinquency charged-off accounts; charged-off accounts associated with Chapter 13 Bankruptcy-related debt; and charged-off accounts acquired through our Investments in Previously Charged-Off Receivables segment's balance transfer program prior to such time as credit cards are issued relating to the program's underlying accounts. At March 31, 2012, $7.3 million of our investments in previously charged-off receivables balance was comprised of previously charged-off receivables that our Investments in Previously Charged-Off Receivables segment purchased from our other consolidated subsidiaries, and in determining our net income or loss as reflected on our consolidated statements of operations, we eliminate all material intercompany profits that are associated with these transactions. Although we eliminate all material intercompany profits associated with these purchases, we do not eliminate the corresponding purchases from our consolidated balance sheet categories so as to better reflect the ongoing business operations of each of our reportable segments and because the amounts represent just 1.2% of our consolidated total assets.

We estimate the life of each pool of previously charged-off receivables acquired by us generally to be between 60 months for normal delinquency charged-off accounts (including balance transfer program accounts) and approximately 84 months for Chapter 13 Bankruptcies. Our estimated remaining collections on the $36.8 million unrecovered balance of our investments in previously charged-off receivables as of March 31, 2012 amount to $186.9 million (before servicing costs), of which we expect to collect 40.0% over the next 12 months, with the balance to be collected thereafter.

Investments in Securities

The carrying values (in thousands) of our investments in debt and equity securities (excluding those investments for which we use equity-method accounting) are as follows:

	As of	
	March 31, 2012	December 31, 2011
Held to maturity:		
Investments in non-marketable debt securities	$70	$93
Available for sale:		
Investments in non-marketable equity securities	1,781	2,075
Investments in non-marketable debt securities	3,991	3,884
Trading:		
Investments in marketable equity securities	153	151
Total investments in securities	$5,995	$6,203

Investments in Equity-Method Investees

We account for investments using the equity method of accounting if we have the ability to exercise significant influence, but not control, over the investees. Significant influence is generally deemed to exist if we have an ownership interest in the voting stock of an incorporated investee of between 20% and 50%, although other factors, such as representation on an investee's board of managers, specific voting and veto rights held by each investor and the effects of commercial arrangements, are considered in determining whether equity method accounting is appropriate. We use the equity method for our investments in a limited liability company formed in 2004 to acquire a portfolio of credit card receivables. We also use the equity method to account for our March 2011 investment to acquire a 50.0% interest in a joint venture that purchased all of the outstanding notes issued out of the structured financing trust underlying our U.K. portfolio of credit card receivables (the "U.K. Portfolio"). We record our respective interests in the income or losses of our equity-method investees within the equity in income (loss) of equity-method investees category on our consolidated statements of operations. The carrying amount of our equity-method investments is recorded on our consolidated balance sheets as investments in equity-method investees.

Income Taxes

Computed considering results for only our continuing operations before income taxes, our effective income tax benefit rate was a negative 8.2% for the three months ended March 31, 2012, versus our effective income tax expense rate of a positive 1.2% for the three months ended March 31, 2011. We have experienced no material changes in effective tax rates associated with differences in filing jurisdictions, and the variations in our effective tax rates between the periods principally bear the effects of (1) changes in valuation allowances against income statement-oriented federal, foreign and state deferred tax assets and (2) variations in the level of our pre-tax income among the different reporting periods relative to the level of our permanent differences within such periods. Computed without regard to the effects of the valuation allowance changes, it is more likely than not that our effective tax rates would have been a positive 25.9% benefit rate and a 38.6% expense rate, in the three months ended March 31, 2012 and 2011, respectively.

We recognize potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. We recognized $0.5 million and $0.5 million in potential interest and penalties associated with uncertain tax positions during the three months ended March 31, 2012 and 2011, respectively. To the extent such interest and penalties are not assessed as a result of a resolution of the underlying tax position, amounts accrued are reduced and reflected as a reduction of income tax expense. We recognized no such reductions in the three months ended March 31, 2012 and 2011, respectively.

Fees and Related Income on Earning Assets

The components (in thousands) of our fees and related income on earning assets are as follows:

	For the Three Months Ended March 31,	
	2012	2011
Fees on credit products	$3,478	$3,760
Changes in fair value of loans and fees receivable recorded at fair value (1)	55,929	130,003
Changes in fair value of notes payable associated with structured financings recorded at fair value	(9,317)	(81,344)
Income on investments in previously charged-off receivables	13,972	10,597
Gross loss on auto sales	-	(111)
(Losses) gains on investments in securities	(242)	132
Loss on sale of JRAS assets	-	(4,648)
Other	534	833
Total fees and related income on earning assets	$64,354	$59,222

(1) The above changes in fair value of loans and fees receivable recorded at fair value category excludes the impact of charge offs associated with these receivables which are separately stated on our consolidated statements of operations. See Note 7, "Fair values of Assets and Liabilities," for further discussion of these receivables and their effects on our consolidated statements of operations.

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Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued guidance that defers the required changes to the presentation of comprehensive income that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. This temporary deferral will allow the Board time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. See below for the other requirements for the presentation of comprehensive income.

In December 2011, the FASB issued guidance requiring entities to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on an entity's financial position. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with current literature or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current literature. The guidance is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. This standard will become effective for us beginning March 2013, and the disclosures are to be applied retrospectively for all comparative periods presented. We currently are evaluating the impact of this new guidance.

In June 2011, the FASB issued new accounting guidance that revises the manner in which comprehensive income is required to be presented in financial statements. The new guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. The guidance eliminates the option to present components of other comprehensive income in the statement of changes in stockholders' equity. It does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified from other comprehensive income to net income. The guidance requires retrospective application and is effective for interim and annual periods beginning on or after December 15, 2011. We adopted the presentation guidance as of December 31, 2011, and it has no effect on our financial condition, results of operations or liquidity since it impacts presentation only.

In May 2011, the FASB issued amended guidance on fair value that is intended to provide a converged fair value framework for U.S. GAAP and IFRS. The amended guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. While the amended guidance continues to define fair value as an exit price, it changes some fair value measurement principles and expands the existing disclosure requirements for fair value measurements. The amended guidance is effective for public entities for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance requires prospective application and disclosure in the period of adoption of the change, if any, in valuation techniques and related inputs resulting from application of the amendments and quantification of the total effect, if practicable. We adopted the amended guidance in the first quarter of 2012 which had no material impacts on our consolidated statements of operations.

Subsequent Events

We evaluate subsequent events that occur after our consolidated balance sheet date but before our consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements; and (2) nonrecognized, or those that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date. We have evaluated subsequent events occurring after March 31, 2012, and based on our evaluation, we did not identify any recognized or nonrecognized subsequent events that would have required further adjustments to our consolidated financial statements.

3. Discontinued Operations

In April, 2011 and October, 2011, respectively, we sold our U.K. Internet micro-loan subsidiaries and our retail micro-loans subsidiaries; accordingly, their results of operations are shown as discontinued operations within our consolidated statements of operations for all periods presented. Key components of discontinued operations on our consolidated statements of operations are as follows:

	For the Three Months Ended March 31,	
	2012	2011
Net interest income, fees and related income on earning assets	$-	$34,856
Other operating expense	-	25,933
Income before income taxes	-	8,923
Income tax expense	-	(2,312)
Net income	$-	$6,611
Net income attributable to noncontrolling interests	$-	$1,131

There were no assets held for sale on either our March 31, 2012 or December 31, 2011 consolidated balance sheets.

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4. Segment Reporting

We operate primarily within one industry consisting of three reportable segments by which we manage our business. Our three reportable segments are: Credit Cards and Other Investments; Investments in Previously Charged-Off Receivables; and Auto Finance. Due to the 2011 sales of our Retail and U.K.-based Internet micro-loans operations, we have eliminated segment reporting for our former Retail Micro-Loans and Internet Micro-Loans segments. Additionally, we have renamed our Credit Card segment as the Credit Cards and Other Investments segment to encompass ancillary investments and product offerings that are largely start-up in nature and do not qualify for separate segment reporting. All prior period data have been reclassified to this new current period presentation.

Summary operating segment information (in thousands) is as follows:

Three Months Ended March 31, 2012	Credit Cards and Other Investments	Investments in Previously Charged-Off Receivables	Auto Finance	Total
Net interest income, fees and related income on earning assets	$3,038	$ 13,926	$4,272	$21,236
Total other operating income	$8,079	$ 1,005	$141	$9,225
(Loss) income from continuing operations before income taxes	$(6,674)	$ 4,110	$(1,602)	$(4,166)
Loans and fees receivable, gross	$32,616	$ -	$78,599	$111,215
Loans and fees receivable, net	$25,072	$ -	$65,486	$90,558
Loans and fees receivable held at fair value	$225,435	$ -	$-	$225,435
Total assets	$465,273	$ 50,939	$79,148	$595,360

Three Months Ended March 31, 2011	Credit Cards and Other Investments	Investments in Previously Charged-Off Receivables	Auto Finance	Total
Net interest income, fees and related income on earning assets	$23,126	$ 10,515	$2,888	$36,529
Total other operating income	$21,824	$ 706	$129	$22,659
Income (loss) from continuing operations before income taxes	$23,583	$ 3,399	$(3,566)	$23,416
Loans and fees receivable, gross	$56,079	$ -	$132,772	$188,851
Loans and fees receivable, net	$42,804	$ -	$99,047	$141,851
Loans and fees receivable held at fair value	$310,815	$ -	$-	$310,815
Total assets	$782,287	$ 37,493	$87,607	$907,387

5. Shareholders' Equity

Retired Shares

During the three months ended March 31, 2012, we retired all of our common shares held in treasury, thereby resulting in a $182.6 million charge to retained earnings. Pursuant to the closing of a tender offer in April 2011, we repurchased 13,125,000 shares of our common stock at a purchase price of $8.00 per share for an aggregate cost of $105.0 million, and these shares were subsequently retired. We exclude all retired shares from our outstanding share counts. Also, we had 1,672,656 loaned shares outstanding at March 31, 2012, which were originally lent in coordination with our December 2005 issuance of convertible senior notes.

Treasury Stock

Prior to their retirement, we reissued treasury shares totaling 154,815 and 452,567 during the three months ended March 31, 2012 and 2011, respectively, at gross costs of $5.2 million and $15.1 million, respectively, in satisfaction of option exercises and vested restricted stock. We also effectively purchased shares totaling 36,538 and 121,703 during the three months ended March 31, 2012 and 2011 at gross costs of $0.2 million and $0.8 million, respectively, by having employees who were exercising options or vesting in their restricted stock grants exchange a portion of their stock for payment of required minimum tax withholdings.

6. Investments in Equity-Method Investees

Our equity-method investments outstanding at March 31, 2012 consist of our interests (aggregating 50%) in a joint venture that was formed in 2004 to purchase a credit card receivables portfolio and our 50.0% interest in a joint venture that purchased in March 2011 the outstanding notes issued out of our U.K. Portfolio structured financing trust. The latter 50%-owned joint venture elected to account for its investment in the U.K. Portfolio structured financing notes at their fair value, and it recognized a $34.2 million gain (of which our 50% share represented $17.1 million) in the three months ended March 31, 2011 equal to the excess of the fair value of the notes at that date over the joint venture's discounted purchase price of the notes.

In January 2011, we acquired an additional 47.5% interest in a 47.5% equity-method investee which we had historically accounted for under the equity method of accounting, thereby bringing our aggregate interest in this entity to a 95.0% ownership threshold and leading us to conclude that we should consolidate the assets and liabilities of this entity within our consolidated balance sheets. Additionally, we acquired the remaining 5.0% noncontrolling interest in this entity in April 2011 to bring our total ownership to 100%.

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In the following tables, we summarize (in thousands) combined balance sheet and results of operations data for our equity-method investees:

	As of	
	March 31, 2012	December 31, 2011
Loans and fees receivable pledged as collateral under structured financings, at fair value	$75,003	$78,413
Investments in non-marketable debt securities, at fair value	$63,576	$81,639
Total assets	$154,665	$166,476
Notes payable associated with structured financings, at fair value	$51,317	$59,515
Total liabilities	$51,121	$58,487
Members' capital	$103,544	$107,989

	For the Three Months Ended March 31,	
	2012	2011
Net interest income, fees and related income on earning assets	$14,287	$37,675
Total other operating income	$83	$87
Net income	$13,490	$36,272

Included in the above tables is our aforementioned 50.0% interest in the joint venture that purchased in March 2011 the outstanding notes issued out of our U.K. Portfolio structured financing trust. Separate financial data for this entity are as follows:

	As of	
	March 31, 2012	December 31, 2011
Investments in non-marketable debt securities, at fair value	$63,576	$81,639
Total assets	$64,335	$83,210
Total liabilities	$-	$-
Members' capital	$64,335	$83,210

	For the Three Months Ended March 31,	
	2012	2011
Net interest income, fees and related income on earning assets	$547	$34,409
Net income	$526	$34,303

As noted in Note 8, Convertible Senior Notes and Notes Payable, notes payable with a fair value of $63.6 million correspond with the $63.6 million investment in non-marketable debt securities, at fair value held by our equity method investee as noted in the above table.

7. Fair Values of Assets and Liabilities

Valuations and Techniques for Assets Measured at Fair Value on a Recurring Basis

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. For our assets measured on a recurring basis at fair value, the table below summarizes (in thousands) fair values as of March 31, 2012 and December 31, 2011 by fair value hierarchy:

Assets – As of March 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets Measured at Fair Value
Investment securities—trading	$ 153	$ -	$ -	$ 153
Loans and fees receivable, at fair value	$ -	$ -	$ 23,510	$ 23,510
Loans and fees receivable pledged as collateral under structured financings, at fair value	$ -	$ -	$ 201,925	$ 201,925

Assets – As of December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets Measured at Fair Value
Investment securities—trading	$ 151	$ -	$ -	$ 151
Loans and fees receivable, at fair value	$ -	$ -	$ 28,226	$ 28,226
Loans and fees receivable pledged as collateral under structured financings, at fair value	$ -	$ -	$ 238,763	$ 238,763

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Gains and losses associated with fair value changes for the above asset classes are detailed on our fees and related income on earning assets table within Note 2, “Significant Accounting Policies and Consolidated Financial Statement Components.” For our Level 1 assets in the above table, total realized net gains and losses were $0.0 million for both three months ended March 31, 2012 and 2011, all of which are included as a component of fees and related income on earning assets on our consolidated statements of operations. For our loans and fees receivable included in the above table, which represent liquidating portfolios closed to any possible re-pricing, we assess the fair value of these assets based on our estimate of future cash flows net of servicing costs, and to the extent that such cash flow estimates change from period to period, any such changes are considered to be attributable to changes in instrument-specific credit risk.

For Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs, the following table presents (in thousands) a reconciliation of the beginning and ending balances for the three-month periods ended March 31, 2012 and 2011:

	Loans and Fees Receivable, at Fair Value	Loans and Fees Receivable Pledged as Collateral under Structured Financings, at Fair Value	Total
Balance at January 1, 2011	$12,437	$373,155	$385,592
Transfers in due to consolidation of equity-method investees	-	14,587	14,587
Total gains—realized/unrealized:			
Net revaluations of loans and fees receivable pledged as collateral under structured financings, at fair value	-	126,586	126,586
Net revaluations of loans and fees receivable, at fair value	3,417	-	3,417
Purchases, issuances, and settlements, net	(6,901)	(102,601)	(109,502)
Impact of foreign currency translation	-	3,351	3,351
Net transfers in and/or out of Level 3	-	-	-
Balance at March 31, 2011	$8,953	$415,078	$424,031
Balance at January 1, 2012	$28,226	$238,763	$266,989
Transfers in due to consolidation of equity-method investees	-	-	-
Total gains—realized/unrealized:			
Net revaluations of loans and fees receivable pledged as collateral under structured financings, at fair value	-	52,192	52,192
Net revaluations of loans and fees receivable, at fair value	3,737	-	3,737
Purchases, issuances, and settlements, net	(8,453)	(91,742)	(100,195)
Impact of foreign currency translation	-	2,712	2,712
Net transfers in and/or out of Level 3	-	-	-
Balance at March 31, 2012	$23,510	$201,925	$225,435

The unrealized gains and losses for assets within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs. We provide below a brief description of the valuation techniques used for Level 3 assets.

Net Revaluation of Loans and Fees Receivable. We record the net revaluation of loans and fees receivable (including those pledged as collateral) in the fees and related income on earning assets category in our consolidated statements of operations, specifically as changes in fair value of loans and fees receivable recorded at fair value. The net revaluation of loans and fees receivable is based on the present value of future cash flows using a valuation model of expected cash flows and the estimated cost to service and collect those cash flows. We estimate the present value of these future cash flows using a valuation model consisting of internally developed estimates of assumptions third-party market participants would use in determining fair value, including estimates of net collected yield, principal payment rates, expected principal credit loss rates, costs of funds, discount rates and servicing costs.

For Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs, the following table presents (in thousands) quantitative information about the valuation techniques and the inputs used in the fair value measurement for the period ended March 31, 2012:

Quantitative information about Level 3 Fair Value Measurements

Fair value measurements	Fair Value at March 31, 2012 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)(1)
Loans and fees receivable, at fair value	$ 23,510	Discounted cash flows	Gross yield	16.6 %
			Principal payment rate	2.7 %
			Expected credit loss rate	14.2 %
			Servicing rate	8.3 %
			Discount rate	16.0 %
Loans and fees receivable pledged as collateral under structured financings, at fair value	$ 201,925	Discounted cash flows	Gross yield	14.2% to 26.7% (22.5%)
			Principal payment rate	1.7% to 4.3% (2.6%)
			Expected credit loss rate	13.8% to 34.8% (27.4%)
			Servicing rate	3.9% to 7.6% (5.6%)
			Discount rate	16.0% to 16.3% (16.1%)

(1) Our loans and fees receivable, at fair value consist of a single portfolio with one set of assumptions. As such, no range is given.

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Valuations and Techniques for Liabilities Measured at Fair Value on a Recurring Basis

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the liability. For our liabilities measured on a recurring basis at fair value, the table below summarizes (in thousands) fair values as of March 31, 2012 and December 31, 2011 by fair value hierarchy:

Liabilities	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Liabilities Measured at Fair Value
Interest rate swap underlying our CAR facility as of March 31, 2012	$ -	$ -	$ -	$ -
Notes payable associated with structured financings, at fair value as of March 31, 2012	$ -	$ -	$ 202,470	$ 202,470
Notes payable associated with structured financings, at fair value as of December 31, 2011	$ -	$ -	$ 241,755	$ 241,755

Gains and losses associated with fair value changes for the above liability class are detailed on our fees and related income on earning assets table within Note 2, “Significant Accounting Policies and Consolidated Financial Statement Components.” For our interest rate swap in the above table, into which we entered in March 2012, we assess fair value based on quotes for an identically termed swap arrangement at the end of each measurement period from a third-party provider. The interest rate swap effectively fixes our interest rate to 4.75% from LIBOR plus 4.0% for $20.0 million of the underlying CAR facility. For our liabilities included in the above table, which represent notes payable associated with our structured financings of liquidating portfolios of credit card receivables, we assess the fair value of these liabilities based on our estimate of future cash flows generated from their underlying credit card receivables collateral, net of servicing compensation required under the note facilities, and to the extent that such cash flow estimates change from period to period, any such changes are considered to be attributable to changes in instrument-specific credit risk.

For Level 3 liabilities measured at fair value on a recurring basis using significant unobservable inputs, the following table presents (in thousands) a reconciliation of the beginning and ending balances for the three-month periods ended March 31, 2012 and 2011:

	Notes Payable Associated with Structured Financings, at Fair Value	
	2012	2011
Beginning balance, January 1	$241,755	$370,544
Transfers in due to consolidation of equity-method investees	-	15,537
Total (gains) losses—realized/unrealized:		
Net revaluations of notes payable associated with structured financings, at fair value	9,317	81,344
Repayments on outstanding notes payable, net	(51,136)	(71,689)
Impact of foreign currency translation	2,534	3,520
Net transfers in and/or out of Level 3	-	-
Ending balance, March 31	$202,470	$399,256

The unrealized gains and losses for liabilities within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs. We provide below a brief description of the valuation techniques used for Level 3 liabilities.

Net Revaluation of Notes Payable Associated with Structured Financings, at Fair Value. We record the net revaluations of notes payable associated with structured financings, at fair value, in the changes in fair value of notes payable associated with structured financings line item within the fees and related income on earning assets category of our consolidated statements of operations. The net revaluation of these notes is based on the present value of future cash flows utilized in repayment of the outstanding principal and interest under the facilities using a valuation model of expected cash flows net of the contractual service expenses within the facilities. We estimate the present value of these future cash flows using a valuation model consisting of internally developed estimates of assumptions third-party market participants would use in determining fair value, including: estimates of net collected yield, principal payment rates and expected principal credit loss rates on the credit card receivables that secure the non-recourse notes payable; costs of funds; discount rates; and contractual servicing fees.

For Level 3 liabilties measured at fair value on a recurring basis using significant unobservable inputs, the following table presents (in thousands) quantitative information about the valuation techniques and the inputs used in the fair value measurement for the period ended March 31, 2012:

Quantitative information about Level 3 Fair Value Measurements

Fair value measurements	Fair Value at March 31, 2012 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Notes payable associated with structured financings, at fair value as of March 31, 2012	$ 202,470	Discounted cash flows	Gross yield	14.2% to 26.7% (23.9%)
			Principal payment rate	1.7% to 4.3% (2.7%)
			Expected credit loss rate	13.8% to 34.8% (27.4%)
			Discount rate	6.7% to 20.1% (17.0%)

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Other Relevant Data

Other relevant data (in thousands) as of March 31, 2012 and December 31, 2011 concerning our assets and liabilities measured at fair value are as follows:

As of March 31, 2012	Loans and Fees Receivable at Fair Value	Loans and Fees Receivable Pledged as Collateral under Structured Financings at Fair Value
Aggregate unpaid principal balance within loans and fees receivable that are reported at fair value	$31,570	$284,235
Aggregate fair value of loans and fees receivable that are reported at fair value	$23,510	$201,925
Aggregate fair value of receivables carried at fair value that are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies)	$39	$419
Aggregate excess of balance of unpaid principal receivables within loans and fees receivable that are reported at fair value and are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies) over the fair value of such loans and fees receivable	$2,001	$18,253

As of December 31, 2011	Loans and Fees Receivable at Fair Value	Loans and Fees Receivable Pledged as Collateral under Structured Financings at Fair Value
Aggregate unpaid principal balance within loans and fees receivable that are reported at fair value	$37,272	$367,227
Aggregate fair value of loans and fees receivable that are reported at fair value	$28,226	$238,763
Aggregate fair value of receivables carried at fair value that are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies)	$66	$1,041
Aggregate excess of balance of unpaid principal receivables within loans and fees receivable that are reported at fair value and are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies) over the fair value of such loans and fees receivable	$3,004	$28,359

Notes Payable	Notes Payable Associated with Structured Financings, at Fair Value as of March 31, 2012	Notes Payable Associated with Structured Financings, at Fair Value as of December 31, 2011
Aggregate unpaid principal balance of notes payable	$ 373,034	$ 420,936
Aggregate fair value of notes payable	$ 202,470	$ 241,755

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8. Convertible Senior Notes and Notes Payable

Convertible Senior Notes

In May 2005, we issued $250.0 million aggregate principal amount of 3.625% convertible senior notes due 2025, and in November 2005, we issued $300.0 million aggregate principal amount of 5.875% convertible senior notes due 2035. These notes (net of repurchases since the issuance dates) are reflected within convertible senior notes on our consolidated balance sheets, and the following summarizes (in thousands) components of our consolidated balance sheets associated with our convertible senior notes:

	As of	
	March 31, 2012	December 31, 2011
Face amount of 3.625% convertible senior notes due 2025	$83,943	$83,943
Face amount of 5.875% convertible senior notes due 2035	139,467	139,467
Discount	(45,757)	(47,010)
Net carrying value	$177,653	$176,400
Carrying amount of equity component included in additional paid-in capital	$108,714	$108,714
Excess of instruments' if-converted values over face principal amounts	$-	$-

We are amortizing the discount to the face amount of the notes into interest expense over the expected life of the notes. Amortization for the three months ended March 31, 2012 and 2011 totaled $1.3 million and $1.8 million, respectively. Actual incurred interest (based on the contractual interest rates within the two convertible senior notes series) totaled $2.8 million and $3.3 million for the three months ended March 31, 2012 and 2011, respectively. We will amortize the discount remaining at March 31, 2012 into interest expense over the expected terms of the convertible senior notes (currently expected to be May 2012 and October 2035 for the 3.625% and 5.875% notes, respectively). The expected life of the notes due in 2025 is shorter pursuant to a note holder put option. The weighted average effective interest rate for the 3.625% and 5.875% notes was 9.2% for all periods presented.

In open market transactions during the three months ended March 31, 2011, we repurchased $13.5 million in face amount of our 3.625% notes for $12.4 million (inclusive of transaction costs and accrued interest through the date of our repurchase of the notes), respectively, thereby resulting in the recognition of an aggregate gain during the three months ended March 31, 2011 of $0.3 million (net of the notes' applicable share of deferred costs and debt discount, which were recovered in connection with the purchases). We did not repurchase any of our convertible senior notes during the three months ended March 31, 2012.

Notes Payable Associated with Structured Financings, at Fair Value

As of March 31, 2012, (1) the carrying amounts of structured financing notes secured by our credit card receivables and reported at fair value, (2) the outstanding face amounts of structured financing notes secured by our credit card receivables and reported at fair value, and (3) the carrying amounts of the credit card receivables and restricted cash that provide the exclusive means of repayment for the notes (i.e., lenders have recourse only to the specific credit card receivables and restricted cash underlying each respective facility and cannot look to our general credit for repayment) are scheduled (in millions) along with comparable December 31, 2011 carrying amounts as follows:

Carrying Amounts at Fair Value as of

	March 31, 2012	December 31, 2011
Amortizing securitization facility issued out of our upper-tier originated portfolio master trust (expiring June 2013), outstanding face amount of $265.1 million bearing interest at a weighted average 3.0% interest rate, which is secured by credit card receivables and restricted cash aggregating $134.6 million in carrying amount	$134.6	$154.1
Amortizing term securitization facility (denominated and referenced in U.K. sterling and expiring April 2014) issued out of our U.K. Portfolio securitization trust, outstanding face amount of $103.6 million bearing interest at a weighted average 4.7% interest rate, which is secured by credit card receivables and restricted cash aggregating $72.0 million in carrying amount	63.6	81.6
Amortizing term structured financing facility (expiring January 2015) issued out of a trust underlying a portfolio acquisition by one of our former equity investees, the controlling interests in which we acquired in February 2011, such facility having an outstanding face amount of $4.3 million, bearing interest at a weighted average 2.0% interest rate and being secured by credit card receivables and restricted cash aggregating $8.0 million in carrying amount	4.3	6.1
Total structured financing notes reported at fair value that are secured by credit card receivables and to which we are subordinated	$202.5	$241.8

Contractual payment allocations within these credit cards receivable structured financings provide for a priority distribution of cash flows to us to service the credit card receivables, a distribution of cash flows to pay interest and principal due on the notes, and a distribution of all excess cash flows (if any) to us. Each of the structured financing facilities in the above table is amortizing down along with collections of the underlying receivables and there are no provisions within the debt agreements that allow for acceleration or bullet repayment of the facilities prior to their scheduled expiration dates. Accordingly, we believe that, for all intents and purposes, there is no practical risk of material equity loss associated with lender seizure of assets under the facilities. Nevertheless, the aggregate carrying amount of the credit card receivables and restricted cash that provide security for the $202.5 million in fair value of structured financing notes in the above table is $214.6 million, which means that our maximum aggregate exposure to pre-tax equity loss associated with the above structured financing arrangements is $12.1 million.

Beyond our role as servicer of the underlying assets within the credit cards receivable structured financings, we have provided no other financial or other support to the structures, and we have no explicit or implicit arrangements that could require us to provide financial support to the structures.

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Notes Payable Associated with Structured Financings, at Face Value

The principal amount of the structured financing notes outstanding and the carrying amounts of the assets that provide the exclusive means of repayment for the notes (i.e., lenders have recourse only to the specific assets underlying each respective facility and cannot look to our general credit for repayment) are scheduled (in millions) as follows:

	As of March 31, 2012	As of December 31, 2011
Amortizing debt facility (expiring November 6, 2016) at a minimum fixed rate of 15% at March 31, 2012 that is secured by our ACC Auto Finance segment receivables and restricted cash with an aggregate carrying amount of $22.1 million (1)	$15.3	$20.4
Amortizing debt facility at a floating rate of 12.5%, at March 31, 2012 that is secured by Auto Finance segment receivables originated while we owned JRAS and related restricted cash with an aggregate carrying amount of $2.0 million (2)	1.4	2.6
Vendor-financed software and equipment purchases (expiring September 2014) at an implied rate of 15%, that are secured by certain equipment	0.3	-
Investment in Previously Charged-Off Receivables segment's asset-backed financing, the repayment of which occurred during the three months ended March 31, 2012	-	0.2
Total asset-backed structured financing notes outstanding	$17.0	$23.2

(1) The terms of this lending agreement provide for the application of all excess cash flows from the underlying auto finance receivables portfolio (above and beyond interest costs and contractual servicing compensation to our outsourced third-party servicer) to reduce outstanding debt balances. The terms of this facility provide that 37.5% of any cash flows (net of contractual servicing compensation) generated on the auto finance receivables portfolio after repayment of the notes will be allocated to the note holders as additional compensation for the use of their capital. Based on current estimates of this additional compensation, we currently are accruing interest expense on this loan at a 28.6% effective interest rate, and our liability for such accrued interest grew from $1.5 million as of December 31, 2011 to $3.5 million as of March 31, 2012.

(2) In connection with our sale of JRAS's operations in February 2011, we received a $2.4 million note secured by JRAS's assets, we retained receivables with a March 31, 2012 carrying amount of $2.0 million that were originated while JRAS was under our ownership, we pledged those receivables as security for a then $9.4 million non-recourse loan to us, and we contracted with JRAS to service those receivables on our behalf.

Similar to our credit cards receivable structured financings, the structured financing facilities secured by the assets scheduled above (with the exception of the vendor-financed software and equipment lending arrangements) generally provide for a priority distribution of cash flows to us (or alternative loan servicers) to service any underlying pledged receivables, a distribution of cash flows to pay interest and principal due on the notes, and a distribution of all excess cash flows to us, other than the additional compensation referred to in footnote (1) of the above table. The receivables-backed structured financing facilities in the above table are amortizing down along with collections of the underlying receivables and there are no provisions within the debt agreements that represent any risks of acceleration or bullet repayment of the facilities prior to the facility expiration dates. Accordingly, we believe that, for all intents and purposes, there is no practical risk of material equity loss associated with lender seizure of assets under the facilities. Nevertheless, the aggregate carrying amount of the receivables that provide security for the $17.0 million of structured financing notes in the above table at March 31, 2012 was 24.1 million, which means that our maximum aggregate exposure to pre-tax equity loss associated with the above structured financing arrangements was $7.1 million on that date.

Beyond our role as servicer of the underlying assets within the above-scheduled structured financings, we have provided no other financial or other support to the structures, and we have no explicit or implicit arrangements that could require us to provide financial support to the structures.

Notes Payable, at Face Value

In October 2011, we entered a new facility with $40.0 million in available financing that can be drawn to the extent of CAR outstanding eligible principal receivables (of which $23.6 million was drawn as of March 31, 2012). This new facility is secured by the financial and operating assets of our CAR subsidiaries (such assets having a carrying value of $51.7 million at March 31, 2012), accrues interest at an annual rate equal to LIBOR plus 4.0%, matures October 4, 2014, and is subject to certain affirmative covenants, including a coverage ratio, a leverage ratio and a collateral performance test, the failure of which could result in required early repayment of all or a portion of the outstanding balance. In March 2012, we entered into an interest rate swap related to $20.0 million of the $23.6 million underlying CAR facility. The interest rate swap effectively fixes our interest rate to 4.75% from LIBOR plus 4.0%. We include the fair value of the interest rate swap and changes in its fair value in our consolidated balance sheets and statements of operations, respectively. See Note 7, “Fair Values of Assets and Liabilities,” for more information regarding this interest rate swap. As of March 31, 2012, there was no material asset or liability associated with the interest rate swap.

9. Commitments and Contingencies

General

In the normal course of business through the origination of unsecured credit card receivables, we incur off-balance-sheet risks. These risks include commitments (predominantly of our Jefferson Capital subsidiary within our Investments in Previously Charged-off Receivables segment) of $5.3 million at March 31, 2012 to purchase receivables associated with cardholders who have the right to borrow in excess of their current balances up to the maximum credit limit on their credit card accounts. We have never experienced a situation in which all of our customers have exercised their entire available line of credit at any given point in time, nor do we anticipate this will ever occur in the future. Moreover, there would be a concurrent increase in assets should there be any exercise of these lines of credit. We also have the effective right to reduce or cancel these available lines of credit at any time, which our Credit Cards and Other Investments segment did with respect to substantially all of its outstanding cardholder accounts. Our remaining available lines of credit relate solely to cards issued under Jefferson Capital’s balance transfer program and to cards issued under programs in the U.K.

CompuCredit Corporation’s third-party originating financial institution relationships require security (collateral) related to their issuance of credit cards and cardholder purchases thereunder, and notwithstanding the closure of all credit card accounts the receivables of which CompuCredit Corporation previously purchased, these institutions hold a remaining $0.9 million of pledged collateral as of March 31, 2012. Similarly, certain of our other subsidiaries have pledged $1.1 million in collateral associated with third-party originating financial institution relationships (e.g., associated with cardholder purchases under our Investment in Previously Charge-Off Receivables balance transfer program). In addition, in connection with our U.K. Portfolio acquisition, CompuCredit Corporation guarantees certain obligations of its subsidiaries and its third-party originating financial institution to one of the European payment systems ($0.2 million as of March 31, 2012). Those obligations include, among other things, compliance with one of the European payment system’s operating regulations and by-laws. CompuCredit Corporation also guarantees certain performance obligations of its servicer subsidiary to the indenture trustee and the trust created under the structured financing relating to our U.K. Portfolio.

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Also, under agreements with third-party originating financial institutions, we have agreed to indemnify the financial institutions for certain liabilities associated with the financial institutions' card issuance and other lending activities on our behalf. Indemnification obligations generally are limited to instances in which we either (1) have been afforded the opportunity to defend against any potentially indemnifiable claims or (2) have reached agreement with the financial institutions regarding settlement of potentially indemnifiable claims.

Total System Services, Inc. provides certain services to CompuCredit Corporation as a system of record provider under an agreement that extends through May 2015. Were CompuCredit Corporation to terminate its U.S. relationship with Total System Services, Inc. prior to the contractual termination period, it would incur significant penalties ($14.0 million as of March 31, 2012).

Litigation

We are involved in various legal proceedings that are incidental to the conduct of our business. The most significant of these are described below.

CompuCredit Corporation and five of our other subsidiaries are defendants in a purported class action lawsuit entitled Knox, et al., vs. First Southern Cash Advance, et al., No. 5 CV 0445, filed in the Superior Court of New Hanover County, North Carolina, on February 8, 2005. The plaintiffs allege that in conducting a so-called "payday lending" business, certain subsidiaries within our Retail Micro-Loans segment (the operations of which were sold in October 2011, subject to our retention of liability for this litigation) violated various laws governing consumer finance, lending, check cashing, trade practices and loan brokering. The plaintiffs further allege that CompuCredit Corporation was the alter ego of the subsidiaries and is liable for their actions. The plaintiffs are seeking damages of up to $75,000 per class member, and attorney's fees. These claims are similar to those that have been asserted against several other market participants in transactions involving small-balance, short-term loans made to consumers in North Carolina. On January 23, 2012, among other orders, the trial court denied the defendants' motion to compel arbitration, and granted the plaintiffs' motion for class certification. We are vigorously defending this lawsuit.

CompuCredit Corporation is named as a defendant in a class action lawsuit entitled Wanda Greenwood, et al. vs. CompuCredit Corporation and Columbus Bank and Trust, No. 4:08-cv-4878, filed in the U.S. District Court for the Northern District of California. The plaintiffs allege that in marketing and managing the Aspire Visa card the defendants violated the federal Credit Repair Organizations Act and California Unfair Competition Law. The class includes all persons who within the four years prior to the filing of the lawsuit were issued an Aspire Visa card or paid money with respect thereto. The plaintiffs seek various forms of damage, including unspecified monetary damages and the voiding of the plaintiffs' obligations. On January 10, 2012, the U.S. Supreme Court ordered that the claims related to the Credit Repair Organizations Act are subject to arbitration. On March 5, 2012, the U.S. District Court for the Northern District of California granted the defendants' motion to compel arbitration of the individual claims under the Unfair Competition Law, so all claims are now ordered to be arbitrated on an individual basis.

On December 21, 2009, certain holders of our 3.625% convertible senior notes due 2025 and 5.875% convertible senior notes due 2035 filed a lawsuit in the U.S. District Court for the District of Minnesota seeking, among other things, to enjoin our December 31, 2009 cash distribution to shareholders and the then-potential future spin-off of our micro-loan businesses. We prevailed in court at a December 29, 2009 hearing concerning the plaintiffs' motion for a temporary restraining order against our December 31, 2009 cash distribution to shareholders, and that distribution was made as originally contemplated on that date. On March 19, 2010, the U.S. District Court for the District of Minnesota transferred venue to the U.S. District Court for the Northern District of Georgia, and on April 6, 2010, we filed a Renewed Motion to Dismiss. Shortly after that filing, on May 12, 2010, the plaintiffs filed a second amended complaint to add new claims and certain of our officers and directors as defendants, to continue to seek to enjoin the then-potential future spinoff and to seek unspecified damages against all defendants. The plaintiffs also sought temporary injunctive relief to prevent our completion of a then-pending tender offer for the repurchase of our 3.625%

Convertible Notes due 2025 and our common stock at $7.00 per share. At a hearing on May 12, 2010, the judge in the Northern District of Georgia denied the request for a temporary restraining order, and the tender offer was completed as scheduled on May 14, 2010. On June 4, 2010 and June 25, 2010, we and the other defendants filed respective motions with the U.S. District Court for the Northern District of Georgia to dismiss the second amended complaint. On March 15, 2011, the court denied our and the other defendants' motions to dismiss the second amended complaint. On March 22, 2011, certain individual defendants filed a motion to certify a portion of the March 15, 2011 order for immediate interlocutory review, and on April 1, 2011, the court granted that motion. Further, on March 23, 2011, plaintiffs filed an Emergency Motion for Preliminary Injunction in the U.S. District Court for the Northern District of Georgia seeking to enjoin as an alleged fraudulent transfer a then-pending tender offer to repurchase 13,125,000 shares of our common stock at a purchase price of $8.00 per share for an aggregate cost of $105.0 million. At a hearing on April 1, 2011, the court denied plaintiffs' motion for a preliminary injunction, and the tender offer was completed as scheduled on April 11, 2011. On April 25, 2012, the Eleventh Circuit Court of Appeals reversed the trial court's denial of the motion to dismiss the second amended complaint, and remanded the case to the District Court for dismissal.

10. Net (Loss) Income Attributable to Controlling Interests Per Common Share

We compute net (loss) or income attributable to controlling interests per common share by dividing (loss) or income attributable to controlling interests by the weighted-average common shares (including participating securities) outstanding during the period, as discussed below. Diluted computations applicable in financial reporting periods in which we report income reflect the potential dilution to the basic income per common share computations that could occur if securities or other contracts to issue common stock were exercised, were converted into common stock or were to result in the issuance of common stock that would share in our income or losses. In performing our net (loss) or income attributable to controlling interests per common share computations, we apply accounting rules that require us to include all unvested stock awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, in the number of shares outstanding in our basic and diluted calculations. Common stock and unvested share-based payment awards earn dividends equally, and we have included all outstanding restricted stock awards in our basic and diluted calculations for current and prior periods.

The following table sets forth the computation of net (loss) income per common share (in thousands, except for per share data):

	For the Three Months Ended March 31,	
	2012	2011
Numerator:		
(Loss on) income from continuing operations attributable to controlling interests	$(4,432)	$22,975
Income from discontinued operations attributable to controlling interests	$-	$5,480
Net (loss) income attributable to controlling interests	$(4,432)	$28,455