GREEN DOT CORP
Form S-1/A
July 19, 2010

As filed with the Securities and Exchange Commission on July 19, 2010

Registration No. 333-165081

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

Amendment No. 7
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GREEN DOT CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**6199**	**95-4766827**
(State or other jurisdiction of incorporation or organization)	*(Primary standard industrial classification code number)*	*(I.R.S. employer identification no.)*

605 East Huntington Drive, Suite 205
Monrovia, CA 91016
(626) 739-3942
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o_____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o_____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o_____

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)

Class A Common Stock, par value $0.001 per share	4,746,287	$35.00	$166,120,045	$11,845.00

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase.

(3) The Registrant previously paid $10,695.00 in connection with the original filing of this Registration Statement on February 26, 2010, and $354.00 in connection with the filing of Amendment No. 5 to the Registration Statement on July 9, 2010.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and neither we nor the selling stockholders are soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS
Subject to completion, dated July 19, 2010

4,170,827 Shares

Class A Common Stock

This is an initial public offering of shares of the Class A common stock of Green Dot Corporation. The selling stockholders are selling 4,170,827 shares of our Class A common stock. We will not receive any proceeds from the sale of shares of our Class A common stock by the selling stockholders. The estimated initial public offering price is between $32.00 and $35.00 per share.

We have two classes of authorized common stock Class A common stock and Class B common stock. The rights of the holders of our Class A common stock and our Class B common stock are virtually identical, except with respect to voting and conversion. Each share of our Class A common stock is entitled to one vote per share. Each share of our Class B common stock is entitled to ten votes per share and is convertible at any time into one share of our Class A common stock.

Our Class A common stock has been approved for listing on the NYSE under the symbol GDOT.

	Per Share	*Total*
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to the selling stockholders, before expenses	$	$

The selling stockholders have granted the underwriters an option, for a period of 30 days from the date of this prospectus, to purchase from them up to 575,460 additional shares of our Class A common stock to cover over-allotments, if any.

Investing in our Class A common stock involves a high degree of risk. See Risk Factors beginning on page 12 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Delivery of the shares of our Class A common stock will be made on or about , 2010.

J.P. Morgan	**Morgan Stanley**

Deutsche Bank Securities	**Piper Jaffray**	**UBS Investment Bank**

, 2010

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You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by or on behalf of us and delivered or made available to you. Neither we nor the selling stockholders have authorized anyone to provide you with information different from that contained in this prospectus. The selling stockholders are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our Class A common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

Until , 2010, all dealers that buy, sell or trade in our Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, including the section entitled Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment in our Class A common stock.

Green Dot Corporation

Green Dot is a leading prepaid financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. We believe that we are the leading provider of general purpose reloadable prepaid debit cards in the United States and that our Green Dot Network is the leading prepaid reload network in the United States. We sell our cards and offer our reload services nationwide at approximately 50,000 retail store locations, which provide consumers convenient access to our products and services. Our technology platform, Green PlaNET, provides essential functionality, including point-of-sale connectivity and interoperability with Visa, MasterCard and other payment or funds transfer networks, and compliance and other capabilities to our Green Dot Network, enabling real-time transactions in a secure environment. The combination of our innovative products, broad retail distribution and proprietary technology creates powerful network effects, which we believe enhance the value we deliver to our customers, retail distributors and other participants in our network.

We were an early pioneer in the development of general purpose reloadable prepaid debit cards, or GPR cards, and associated reload services, which collectively we refer to as prepaid financial services. GPR cards are designed for general spending purposes and can be used anywhere the cards applicable payment network, such as Visa or MasterCard, is accepted, but, unlike gift cards, can be reloaded with additional funds for ongoing, long-term use. Our GPR cards are issued as Visa- or MasterCard-branded cards and are accepted worldwide by merchants and other businesses belonging to the applicable payment network, including for bill payments, online shopping, everyday store purchases and ATM withdrawals. We believe that we are the leading provider of GPR cards in the United States based on the 3.4 million active cards in our portfolio as of March 31, 2010, which we define as cards that have had a purchase, reload or ATM withdrawal transaction during the previous 90-day period.

We have built strong distribution and marketing relationships with many significant retail chains, including Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, K-Mart, Meijer and Radio Shack. These retail chains provide consumers with convenient locations to purchase and reload our cards. In addition, any holder of a GPR card issued by a member of our reload network may reload that card at any one of those locations. Currently, there are over 100 third-party prepaid card programs that use our nationwide reload network to facilitate reloading by their cardholders. In 2009, we entered into an agreement with PayPal whereby its customers can add funds to any new or existing PayPal account through our reload network at all retail locations where we sell our products and services, but to date we have not generated significant operating revenues from our relationship with PayPal. In fiscal 2009, the gross dollar volume loaded to our GPR card and reload products was $4.7 billion, an increase of 67% over fiscal 2008.

We have developed a business model with powerful network effects. Growth in the number of our product and service offerings or our network participants, which include consumers, retail distributors and businesses that accept reloads or payments through the Green Dot Network, enhances the value we deliver to all network participants. Our technology platform, Green PlaNET, enables network participants to communicate and complete transactions rapidly and securely through our reload network or third-party payment or funds transfer networks, and is a central component of our network-based business model.

For the years ended July 31, 2007, 2008 and 2009, the five months ended December 31, 2009 and the three months ended March 31, 2010, our total operating revenues were $83.6 million, $168.1 million, $234.8 million, $112.8 million and $92.8 million, respectively. In the same periods, we generated operating income of $1.2 million, $29.2 million, $63.7 million, $23.3 million and $24.1 million, respectively.

Industry Overview

Prepaid cards have emerged as an attractive product within the electronic payments industry. They are easy for consumers to understand and use because they work in a manner similar to traditional debit cards, allowing the cardholder to use a conventional plastic card linked to an account established at a financial institution. According to Mercator Advisory Group s Prepaid Market Forecast 2009 to 2012 research report, $8.7 billion was loaded onto GPR cards in the United States in 2008 and $118.5 billion is expected to be loaded onto GPR cards in the United States in 2012, reflecting a 92% compound annual growth rate during that four-year period. We believe that this growth in the use of GPR cards will contribute to a substantial increase in the demand for prepaid financial services.

The prepaid financial services industry is fragmented and its products are relatively early in their life cycles. Vendors generally do not have a broad set of product and service offerings or capabilities, and no single vendor currently provides all of the elements that are necessary to establish and operate a GPR card program. We believe this creates a significant opportunity for a vertically-integrated provider with a broad suite of innovative products and services.

Our Competitive Strengths

Our combination of innovative products and marketing expertise, a known brand name, a nationwide retail distribution presence and proprietary technology supports our network-based business model and has enabled us to become a leading provider of prepaid financial services in the United States. Our strengths include:

Innovative Product and Marketing Expertise. We are an innovator in the development, merchandising and marketing of prepaid financial services. We believe we were the first company to combine the products, technology platform and distribution channel required to make retailer-distributed GPR cards a viable product offering. Our consumer focus has led us to enhance our product packaging and product displays in retail locations to educate consumers and promote our products and services more effectively. We believe that we have the strongest brand in the prepaid financial services industry, and we continue to build brand awareness using national television advertising.

Leading Retail Distribution. We have established a nationwide retail distribution network, consisting of approximately 50,000 retail store locations, which gives us access to the vast majority of the U.S. population. According to a Scarborough Research survey, which was conducted between August 2008 and September 2009, at least 93% of U.S. adult respondents had shopped at one or more of the stores of our current retail distributors within the prior twelve months.

Leading Reload Network in the United States. We believe our Green Dot Network is the leading reload network for prepaid cards in the United States. We also believe that it can be expanded and adapted to many new and evolving applications in the electronic payments industry.

Proprietary Technology. Green PlaNET, our centralized processing platform, includes a variety of proprietary software applications that, together with third-party applications, run our front-end, back-end, anti-fraud, regulatory compliance and customer service processing systems. It enables us to develop, distribute and support a variety of products and services effectively. This platform also enables our cards and Green Dot Network to interoperate with Visa, MasterCard and other payment or funds transfer networks, allowing our cardholders to make purchases and complete other transactions.

Business Model with Powerful Network Effects. The combination of our broad group of products and services, large portfolio of active cards, nationwide footprint of retail distributors and proprietary technology creates powerful network effects. Growth in the number of our product and service offerings or network participants enhances the value we deliver to all network participants. For example, we are able to attract retail distributors because of the large number of consumers who actively use our reload network. We believe the breadth and depth of our network would be difficult to replicate and represents a significant competitive advantage, as well as a barrier to entry for potential competitors.

Vertical Integration. We believe that we are more vertically integrated than our competitors, based on our distribution capabilities, processing platform, program management skills and proprietary reload network. Whereas we have built our offerings primarily around our own internally-developed capabilities, none of our competitors has been able to offer products and services similar to ours without collaborating with third parties to provide one or more of the essential features of prepaid financial service offerings, such as program management or the reload network. Our vertical integration has allowed us to reduce costs across our operations and, we expect, will continue to provide us with opportunities to reduce operational costs in the future. It also enables us to scale our business quickly in response to rising demand and to ensure high-quality service for our customers.

Strong Regulatory and Compliance Infrastructure. We employ a proactive approach to licensing, regulatory and compliance matters, which we believe provides us with an important competitive advantage. We believe that this has helped us develop strong relationships with leading retailers and financial institutions and has prepared us well for changes in the regulatory environment.

Our Strategy

The key components of our strategy include:

Increasing the Number of Network Participants. We intend to enhance the network effects in our business model in the following ways:

attracting new users by introducing new products, improving current products and promoting our products;

expanding and strengthening our distribution by establishing relationships with additional high-quality retail chains and accelerating our entry into new distribution channels; and

adding businesses that accept reloads or payments through, and applications for, the Green Dot Network by continuing to enroll additional third-party prepaid card program providers in our reload network and to identify additional uses for our reload network s cash transfer technology.

Increasing Revenue per Customer. We intend to pursue greater revenue per customer by improving cardholder retention, increasing card usage and increasing adoption of optional revenue-generating services.

Improving Operating Efficiencies. We intend to leverage our growing scale and vertical integration to generate incremental operating efficiencies, which will provide us with the flexibility to engage in new marketing programs, reduce pricing and make other investments in our business to maintain our leadership position.

Broadening Brand and Product Awareness. We intend to broaden awareness of the Green Dot brand and our products and services through national television advertising, online advertising and ongoing enhancements to our packaging and merchandising.

Acquiring a Bank and Complementary Businesses. We intend to pursue acquisitions that will help us achieve our strategic objectives, particularly those designed to improve operating revenue growth and operating efficiencies. In February 2010, we entered into a definitive agreement to acquire Utah-based Bonneville Bancorp, a bank holding company, and its subsidiary commercial bank, Bonneville Bank, for an aggregate cash purchase price of approximately $15.7 million, and filed applications with the appropriate federal and state regulators seeking approvals for this transaction. While there can be no assurance that we will obtain these approvals or our bank acquisition will close, we currently expect to complete this acquisition in the third quarter of calendar 2010. We believe this acquisition will increase the efficiency with which we introduce and manage potential new products and services, reduce the risk that we would be negatively impacted by changes in the business practices of the banks that issue our cards, reduce the sponsorship and service fees and other expenses that we pay to third parties, and allow us to serve our customers better and more efficiently through a more vertically integrated platform.

Risks Affecting Us

Our business is subject to numerous risks, which are highlighted in the section entitled Risk Factors immediately following this prospectus summary. These risks represent challenges to the successful implementation of our strategy and to the growth and future profitability of our business. These risks include:

our growth rates may decline in the future;

operating revenues derived from sales at Walmart and our other three largest retail distributors represented 63%, 8%, 7% and 5%, respectively, of our total operating revenues during the three months ended March 31, 2010, and the loss of operating revenues from any of these retail distributors would adversely affect our business;

our future success depends upon our retail distributors active and effective promotion of our products and services, but their interests and operational decisions might not always align with our interests;

the industry in which we compete is highly competitive and has a number of major participants, which could adversely affect our operating revenue growth; and

we operate in a highly regulated environment; failure to comply with applicable laws or regulations, or changes in those laws or regulations that adversely affect our operating methods or economics (e.g., reducing interchange rates), could negatively impact our business.

Recent Developments

Changes to Our Relationship with Walmart

We and Wal-Mart Stores, Inc., or Walmart, have had an ongoing commercial relationship pursuant to which we have been the exclusive provider of GPR cards sold in Walmart stores since Walmart initiated its Walmart MoneyCard program in 2007. In May 2010, we extended the term of our commercial agreement with Walmart and GE Money Bank, the card issuing bank for this program, to May 2015 and the parties agreed to various other changes to the terms of their commercial arrangement. In particular, the sales commission percentages that we pay to Walmart for the Walmart MoneyCard program increased significantly to an estimated 22%, or a level approximately equal to what they had been during the three months ended December 31, 2008, from the level in place during the fifteen months ended April 30, 2010, which ranged from 5.0% to 7.9% in the calendar quarters that ended within that period. We believe that the new sales commission structure provides a long-term financial incentive for Walmart to continue to grow the volume of our products sold in its stores, but expect that this change will negatively affect on our sales and marketing expenses, net income and net income per share through at least 2011. In future periods, we believe that, if the volume of our products sold in Walmart stores grows as we expect it will under the new arrangement, the increased sales volumes will more than offset the margin impact of the sales commission percentage increases. However, there can be no assurance that the volume of our products sold in Walmart stores will grow as we expect it will under the new arrangement. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Changes to Our Relationship with Walmart for background and additional discussion regarding the sales commission percentages paid to Walmart, both on a historical basis and to give effect to our new arrangement with Walmart, and the expected impact of the new arrangement on our results of operations.

In connection with this commercial transaction, we issued to Walmart 2,208,552 shares of our Class A common stock, or approximately 34.6% of our outstanding Class A common stock and 5.4% of our total outstanding Class A and Class B common stock, in each case after giving effect to this offering. These shares will represent less than 1% of the combined voting power of our outstanding Class A and Class B common stock after this offering. They also are subject to our right to repurchase them at $0.01 per share upon termination of our commercial agreement with Walmart and GE Money Bank other than a termination arising out of our knowing, intentional and material breach of the agreement. Our right to repurchase the shares lapses with respect to 36,810 shares per month over the 60-month term of the commercial agreement. This aspect of the equity issuance to Walmart may result in significant fluctuations in our monthly operating revenues, net income and net income per share, as we will recognize each month over the 60-month term the fair value of the 36,810 shares for which our right to repurchase has lapsed using the then-current fair market value of our Class A common stock and will record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. See Business Our Business Model Our Distribution Our Relationship with Walmart and Management s Discussion and Analysis of Financial Condition and Results of Operations Comparison of Three Months Ended March 31, 2009 and 2010 Operating Revenues Future Contra-Revenue for more information regarding our commercial relationship with Walmart, the terms of Walmart s ownership of our Class A common stock and the related financial impact of our equity issuance to Walmart.

Preliminary Second Quarter Results

Our consolidated financial statements for the quarter ended June 30, 2010 are not yet available. The following expectations regarding our results for this period are solely management estimates based on currently available information. Our independent registered public accounting firm has not audited, reviewed or performed any procedures with respect to these preliminary financial data and, accordingly, does not express an opinion or any other form of assurance with respect to these data.

We expect that, for the quarter ended June 30, 2010:

Our total operating revenues will be between $86.5 million and $90.5 million; and

Our net income will be between $9.0 million and $13.0 million.

Our actual results may differ from these expectations.

Key operating metrics for this period are as follows:

Number of GPR cards activated 1.5 million

Number of cash transfers 6.4 million

Number of active cards (as of quarter end) 3.3 million

Gross dollar volume $2.4 billion

We expect our total operating revenues for the quarter ended June 30, 2010 will be between $86.5 million and $90.5 million, an increase of 38% to 44% from total operating revenues of $62.9 million for the quarter ended June 30, 2009. This increase was due to year-over-year growth in all of our key business metrics offset by approximately $2.5 million of contra-revenue, representing monthly stock-based incentive compensation recognized as a result of our May 2010 equity issuance to Walmart.

We expect our net income for the quarter ended June 30, 2010 will be between $9.0 million and $13.0 million, a change of (28.0)% to 4.0% from net income of $12.5 million for the quarter ended June 30, 2009. Our net income for the quarter ended June 30, 2010 is expected to include an aggregate amount of approximately $11.0 million, comprised of contra-revenue resulting from our May 2010 equity issuance to Walmart, net interest income, income tax expense, depreciation and amortization, and approximately $1.7 million in stock-based compensation expense. For the quarter ended June 30, 2009, the comparable amount was $10.8 million, including $0.6 million in stock-based compensation.

Corporate History and Information

We were incorporated in Delaware in October 1999 as Next Estate Communications, Inc. and changed our name to Green Dot Corporation in October 2005. Our principal executive offices are located at 605 East Huntington Drive, Suite 205, Monrovia, California 91016, and our telephone number is (626) 739-3942. Our website address is www.greendot.com. The information on, or that can be accessed through, our website is not incorporated by reference into this prospectus and should not be considered to be a part of this prospectus.

Unless otherwise indicated, the terms Green Dot, we, us and our refer to Green Dot Corporation, a Delaware corporation, together with its consolidated subsidiaries, the term prepaid cards refers to prepaid debit cards and the term our cards refers to our Green Dot-branded and co-branded GPR cards. In addition, prepaid financial services refers to GPR cards and associated reload services, a segment of the prepaid card industry.

In September 2009, we changed our fiscal year-end from July 31 to December 31. Throughout this prospectus, references to fiscal 2007, fiscal 2008 and fiscal 2009 are to the fiscal years ended July 31, 2007, 2008 and 2009, respectively.

Green Dot and MoneyPak are our registered trademarks in the United States, and the Green Dot logo is our trademark. Other trademarks appearing in this prospectus are the property of their respective holders.

The Offering

Class A common stock offered by the selling stockholders	4,170,827 shares
Class A common stock to be outstanding after this offering	6,379,379 shares
Class B common stock to be outstanding after this offering	34,343,988 shares(1)
Total Class A and Class B common stock to be outstanding after this offering	40,723,367 shares
Voting rights	We have two classes of authorized common stock Class A common stock and Class B common stock. The rights of the holders of our Class A and Class B common stock are virtually identical, except with respect to voting and conversion. The holders of our Class B common stock are entitled to ten votes per share, and the holders of our Class A common stock are entitled to one vote per share. The holders of our Class A common stock and Class B common stock will vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by law. Each share of our Class B common stock is convertible into one share of our Class A common stock at any time and will convert automatically upon certain transfers or the date that the total number of shares of Class B common stock outstanding represents less than 10% of the total number of shares of Class A and Class B common stock outstanding. See Description of Capital Stock.
Use of proceeds	The selling stockholders are selling all of the shares in this offering. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Dividends	We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our Class A common stock for the foreseeable future.
NYSE symbol	GDOT

(1) The shares of our Class B common stock outstanding after this offering will represent approximately 84.3% of the total number of shares of our Class A and Class B common stock outstanding after this offering and 98.2% of the combined voting power of our Class A and Class B common stock outstanding after this offering.

The number of shares of our Class A and Class B common stock to be outstanding after this offering represents the shares outstanding as of March 31, 2010, after giving effect to the issuance of 2,208,552 shares of our Class A common stock to Walmart in May 2010 and 631,426 shares of Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering, and excludes:

5,336,439 shares of our Class B common stock issuable upon the exercise of stock options outstanding as of March 31, 2010 with a weighted average exercise price of $8.84 per share (other than 347,640 shares that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested stock options and the conversion of the shares received into shares of our Class A common stock);

4,283,456 shares of our Class B common stock issuable upon the exercise of a warrant outstanding as of March 31, 2010, with an exercise price of $23.70 per share, that is exercisable only upon the achievement of performance goals specified in our arrangement with PayPal, Inc. (but does not exclude 283,786 shares that we expect to be sold in this offering by a selling stockholder upon the full exercise of a warrant and the conversion of the shares received into shares of our Class A common stock);

89,000 shares of our Class B common stock issuable upon the exercise of stock options granted after March 31, 2010 with an exercise price of $32.23 per share; and

2,200,000 shares of our Class A common stock reserved for issuance under our 2010 Equity Incentive Plan and our 2010 Employee Stock Purchase Plan, each of which will become effective on the first day that our Class A common stock is publicly traded and contains provisions that will automatically increase its share reserve each year, as more fully described in Executive Compensation Employee Benefit Plans.

Except as otherwise indicated, all information in this prospectus assumes:

the automatic conversion of all outstanding shares of our preferred stock into 24,941,421 shares of our Class B common stock and the conversion by the selling stockholders of 4,170,827 shares of our Class B common stock into a like number of shares of our Class A common stock, in each case immediately prior to the completion of this offering;

the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, which will occur immediately following the completion of the offering; and

no exercise by the underwriters of their option to purchase up to an additional 575,460 shares of our Class A common stock from the selling stockholders in this offering.

In March 2010, when we adopted our dual class stock structure, all outstanding shares of our common stock converted automatically into a like number of shares of Class B common stock. As of March 31, 2010, there were 12,941,968 shares of Class B common stock and no shares of Class A common stock outstanding. See Description of Capital Stock, including Common Stock and Anti-Takeover Provisions Dual Class Stock Structure.

Summary Consolidated Financial and Other Data

The following tables present summary historical financial data for our business. You should read this information together with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, each included elsewhere in this prospectus.

We derived the statement of operations data for the years ended July 31, 2007, 2008 and 2009 and for the five months ended December 31, 2009 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the statement of operations data for the three months ended March 31, 2009 and 2010 and the balance sheet data as of March 31, 2010 from our unaudited consolidated financial statements included elsewhere in this prospectus, which have been prepared on a consistent basis with our audited consolidated financial statements. We derived the statement of operations data for the years ended July 31, 2005 and 2006 from our unaudited consolidated financial statements not included in this prospectus. In the opinion of our management, our unaudited financial data reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of our results for those periods. Our historical results are not necessarily indicative of our results to be expected in any future period.

The pro forma per share data give effect to the conversion of all currently outstanding shares of our convertible preferred stock into shares of our Class B common stock upon the closing of this offering, as though the conversion had occurred at the beginning of the indicated fiscal period. For further information concerning the calculation of pro forma per share information, please refer to note 2 and note 12 of our notes to consolidated financial statements.

	Year Ended July 31,					**Five Months Ended December 31,**	**Three Months Ended March 31,**	
	2005	**2006**	**2007**	**2008**	**2009**	**2009**	**2009**	**2010**
	(Unaudited)						**(Unaudited)**	
	(In thousands, except per share amounts)							
Consolidated Statement of Operations Data:								
Operating revenues:								
Card revenues	$ 21,771	$ 36,359	$ 45,717	$ 91,233	$ 119,356	$ 50,895	$ 31,185	$ 42,158
Cash transfer revenues	12,064	20,616	25,419	45,310	62,396	30,509	15,744	22,782
Interchange revenues	5,705	9,975	12,488	31,583	53,064	31,353	13,811	27,879
Total operating revenues	39,540	66,951	83,624	168,126	234,816	112,757	60,740	92,819
Operating expenses:								
Sales and marketing expenses	19,148	28,660	38,838	69,577	75,786	31,333	20,016	26,039
Compensation and benefits expenses(1)	11,584	18,499	20,610	28,303	40,096	26,610	9,410	16,260

Processing expenses	6,990	8,547	9,809	21,944	32,320	17,480	7,700	14,680
Other general and administrative expenses	6,521	10,077	13,212	19,124	22,944	14,020	5,206	11,755
Total operating expenses	44,243	65,783	82,469	138,948	171,146	89,443	42,332	68,734
Operating income	(4,703)	1,168	1,155	29,178	63,670	23,314	18,408	24,085
Interest income	300	301	771	665	396	115	47	72
Interest expense	(474)	(823)	(625)	(247)	(1)	(2)		(23)
Income before income taxes	(4,877)	645	1,301	29,596	64,065	23,427	18,455	24,134
Income tax expense (benefit)		111	(3,346)	12,261	26,902	9,764	7,749	11,319
Net income	(4,877)	535	4,647	17,335	37,163	13,663	10,706	12,815
Dividends, accretion and allocated earnings of preferred stock		(367)	(5,157)	(13,650)	(29,000)	(9,170)	(7,227)	(8,444)
Net income (loss) allocated to common stockholders	$ (4,877)	$ 168	$ (510)	$ 3,685	$ 8,163	$ 4,493	$ 3,479	$ 4,371

	Year Ended July 31,					Five Months Ended December 31,	Three Months Ended March 31,	
	2005	2006	2007	2008	2009	2009	2009	2010
	(Unaudited)						(Unaudited)	
	(In thousands, except per share amounts)							
Earnings (loss) per Class B common share:								
Basic	$(0.48)	$0.02	$(0.05)	$0.34	$0.68	$0.37	$0.29	$0.34
Diluted	$(0.48)	$0.01	$(0.05)	$0.26	$0.52	$0.29	$0.22	$0.27
Weighted-average Class B common shares issued and outstanding	10,228	10,873	11,100	10,757	12,036	12,222	12,041	12,913
Weighted-average diluted Class B common shares issued and outstanding	10,228	13,194	11,100	14,154	15,712	15,425	15,501	15,982
Pro forma earnings per Class B common share (unaudited):								
Basic					$1.01	$0.37		$0.34
Diluted					$0.91	$0.34		$0.31
Pro forma weighted-average Class B common shares issued and outstanding (unaudited):								
Basic					36,978	37,164		37,855
Diluted					40,654	40,367		40,924

(1) Includes stock-based compensation expense of $0, $0, $156,000, $1.2 million and $2.5 million for the years ended July 31, 2005, 2006, 2007, 2008 and 2009, respectively, $6.8 million for the five months ended December 31, 2009 and $0.6 million and $1.8 million for the three months ended March 31, 2009 and 2010, respectively.

	Year Ended July 31,					Five Months Ended December 31,	Three Months Ended March 31,
	2005	2006	2007	2008	2009	2009	2010
	(Dollars in thousands)						
Statistical Data (Unaudited):							
Number of GPR cards activated	428,737	721,561	894,295	2,167,004	3,106,923	2,105,908	1,790,069
Number of cash transfers	2,262,854	4,055,775	4,992,956	9,153,119	14,084,458	8,188,264	5,929,861
Number of active cards as of period end(1)	289,086	428,300	625,165	1,270,072	2,056,828	2,685,975	3,373,396
Gross dollar volume(2)	$414,910	$801,956	$1,134,175	$2,831,278	$4,702,914	$2,734,087	$2,845,653

(1) Represents the total number of GPR cards in our portfolio that have had a purchase, reload or ATM withdrawal transaction during the previous 90-day period.

(2) Represents the total dollar volume of funds loaded to our GPR card and reload products in the specified period.

The following table presents consolidated balance sheet data as of March 31, 2010:

	As of March 31, 2010 (In thousands)
Consolidated Balance Sheet Data:	
Cash, cash equivalents and restricted cash(1)	$ 102,538
Settlement assets(2)	30,792
Total assets	194,911
Settlement obligations(2)	30,792
Long-term debt	
Total liabilities	108,590
Total stockholders equity	86,321

(1)

Includes $5.4 million of restricted cash. We maintain restricted deposits in bank accounts to support our line of credit.

(2) Our retail distributors collect customer funds for purchases of new cards and reloads and then remit these funds directly to bank accounts established on behalf of those customers by the banks that issue our cards. Our retail distributors remittance of these funds takes an average of three business days. Settlement assets represent the amounts due from our retail distributors for customer funds collected at the point of sale that have not yet been remitted to the card issuing banks. Settlement obligations represent the amounts that are due from us to the card issuing banks for funds collected but not yet remitted by our retail distributors and not funded by our line of credit. We have no control over or access to customer funds remitted by our retail distributors to the card issuing banks. Customer funds therefore are not our assets, and we do not recognize them in our consolidated financial statements.

RISK FACTORS

This offering and an investment in our Class A common stock involve a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes included elsewhere in this prospectus, before deciding to invest in our Class A common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business

Our growth rates may decline in the future.

In recent quarters, our operating income and net income have fluctuated and the rate of growth of our operating revenues generally has declined. Accordingly, there can be no assurance that we will be able to continue our historical growth rates in future periods, and we would expect seasonal or other influences to cause periodic sequential quarterly declines in our operating revenues, operating income and net income. In particular, our results for the three months ended March 31, 2010 were favorably affected by large numbers of taxpayers electing to receive their refunds via direct deposit on our cards. The resulting incremental operating revenues will not be replicated in the remaining quarters of 2010, and thus we believe that our quarterly total operating revenues for the remaining quarters in 2010 will be below those in the three months ended March 31, 2010. In addition, the monthly lapsing of our repurchase right with respect to the equity issued to Walmart in May 2010 will result in noncash accounting charges that reduce our GAAP total operating revenues, and therefore will also have an adverse impact on our GAAP operating income and net income, for the next five years.

In the near term, our continued growth depends in significant part on our ability, among other things, to attract new users of our products, to expand our reload network and to increase our operating revenues per customer. Since the value we provide to our network participants relates in large part to the number of users of, businesses that accept reloads or payments through, and applications enabled by, the Green Dot Network, our operating revenues could suffer if we were unable to increase the number of purchasers of our GPR cards and to expand and adapt our reload network to meet consumers evolving needs. We may fail to expand our reload network for a number of reasons, including our inability to produce products and services that appeal to consumers and lead to increased new card sales, our loss of one or more key retail distributors or our loss of key, or failure to add, businesses that accept reloads or payments through the Green Dot Network, which we refer to as our network acceptance members.

We may not be able to increase card usage and cardholder retention, which have been two important contributors to our growth. Currently, many of our cardholders use their cards infrequently or do not reload their cards. We may be unable to generate increases in card usage or cardholder retention for a number of reasons, including our inability to maintain our existing distribution channels, the failure of our cardholder retention and usage incentives to influence cardholder behavior, our inability to predict accurately consumer preferences or industry changes and to modify our products and services on a timely basis in response thereto, and our inability to produce new features and services that appeal to cardholders.

As the prepaid financial services industry continues to develop, our competitors may be able to offer products and services that are, or that are perceived to be, substantially similar to or better than ours. This may force us to compete on the basis of price and to expend significant advertising, marketing and other resources in order to remain competitive. Even if we are successful at increasing our operating revenues through our various initiatives and strategies, we will experience an inevitable decline in growth rates as our operating revenues increase to higher levels and we may also experience a decline in margins. If our operating revenue growth rates slow materially or decline, our business, operating results and financial condition could be adversely affected.

Operating revenues derived from sales at Walmart and our other three largest retail distributors represented 63%, 8%, 7% and 5%, respectively, of our total operating revenues during the three months ended March 31, 2010, and the loss of operating revenues from any of these retail distributors would adversely affect our business.

Most of our operating revenues are derived from prepaid financial services sold at our four largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart and our three other largest retail distributors, as a group, were approximately 63% and 20%, respectively, in the three months ended March 31, 2010. We do not expect calendar 2010 operating revenues derived from products and services sold at Walmart stores to change significantly as a percentage of our total operating revenues from the percentage in the three months ended March 31, 2010, and expect that Walmart and our other three largest retail distributors will continue to have a significant impact on our operating revenues in future years. It would be difficult to replace any of our large retail distributors, particularly Walmart, and the operating revenues derived from sales of our products and services at their stores. Accordingly, the loss of Walmart or any of our other three largest retail distributors would have a material adverse effect on our business, and might have a positive impact on the business of one of our competitors if it were able to replace us. In addition, any publicity associated with the loss of any of our large retail distributors could harm our reputation, making it more difficult to attract and retain consumers and other retail distributors, and could lessen our negotiating power with our remaining and prospective retail distributors.

Our contracts with these retail distributors have terms that expire at various dates between 2011 and 2015, but they can in limited circumstances, such as our material breach or insolvency, or in the case of Walmart, our failure to meet agreed-upon service levels, certain changes in control of GE Money Bank or us, or our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. See Business Our Business Model Our Distribution Our Relationship with Walmart for more information regarding the termination rights under our contract with Walmart. There can be no assurance that we will be able to continue our relationships with our largest retail distributors on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. Our operating revenues and operating results could suffer if, among other things, any of our retail distributors renegotiates, terminates or fails to renew, or to renew on similar or favorable terms, its agreement with us or otherwise chooses to modify the level of support it provides for our products.

Our future success depends upon our retail distributors active and effective promotion of our products and services, but their interests and operational decisions might not always align with our interests.

Substantially all of our operating revenues are derived from our products and services sold at the stores of our retail distributors. Revenues from our retail distributors depend on a number of factors outside our control and may vary from period to period. Because we compete with many other providers of consumer products for placement and promotion of products in the stores of our retail distributors, our success depends on our retail distributors and their willingness to promote our products and services successfully. In general, our contracts with these third parties allow them to exercise significant discretion over the placement and promotion of our products in their stores, and they could give higher priority to the products and services of other companies. Accordingly, losing the support of our retail distributors might limit or reduce the sales of our cards and MoneyPak reload product. Our operating revenues may also be negatively affected by our retail distributors operational decisions. For example, if a retail distributor fails to train its cashiers to sell our products and services or implements changes in its systems that disrupt the integration between its systems and ours, we could experience a decline in our product sales. Even if our retail distributors actively and effectively promote our products and services, there can be no assurance that their efforts will result in growth of our operating revenues.

The industry in which we compete is highly competitive, which could adversely affect our operating revenue growth.

The prepaid financial services industry is highly competitive and includes a variety of financial and non-financial services vendors. Our current and potential competitors include:

- prepaid card program managers, such as First Data Corporation (or First Data), Netspend Corporation (or Netspend), AccountNow, Inc. (or AccountNow), PreCash Inc. (or PreCash) and UniRush, LLC (or Rush Card);

- reload network providers, such as Visa, Inc. (or Visa), MasterCard International Incorporated (or MasterCard), The Western Union Company (or Western Union) and MoneyGram International, Inc. (or MoneyGram); and

- prepaid card distributors, such as InComm and Blackhawk Network, Inc. (or Blackhawk).

Some of these vendors compete with us in more than one of the vendor categories described above, while others are primarily focused in a single category. In addition, competitors in one category have worked or are working with competitors in other categories to compete with us. A portion of our cash transfer revenues is derived from reloads to cards managed by companies that compete with us as program managers. We also face potential competition from retail distributors or from other companies, such as Visa, that may in the future decide to compete, or compete more aggressively, in the prepaid financial services industry.

We also compete with businesses outside of the prepaid financial services industry, including traditional providers of financial services, such as banks that offer demand deposit accounts and card issuers that offer credit cards, private label retail cards and gift cards.

Many existing and potential competitors have longer operating histories and greater name recognition than we do. In addition, many of our existing and potential competitors are substantially larger than we are, may already have or could develop substantially greater financial and other resources than we have, may offer, develop or introduce a wider range of programs and services than we offer or may use more effective advertising and marketing strategies than we do to achieve broader brand recognition, customer awareness and retail penetration. We may also face price competition that results in decreases in the purchase and use of our products and services. To stay competitive, we may have to increase the incentives that we offer to our retail distributors and decrease the prices of our products and services, which could adversely affect our operating results.

Our continued growth depends on our ability to compete effectively against existing and potential competitors that seek to provide prepaid cards or other electronic payment products and services. If we fail to compete effectively against any of the foregoing threats, our revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

We operate in a highly regulated environment, and failure by us or the businesses that participate in our reload network to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.

We operate in a highly regulated environment, and failure by us or the businesses that participate in our reload network to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements and a wide range of federal and other state laws and regulations, which are described under Business Regulation below. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities.

Many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. For example, with increasing frequency, federal and state regulators are holding businesses like ours to higher standards of training, monitoring and compliance, including monitoring for possible violations of laws by the businesses that participate in our reload network. Failure by us or those businesses to comply with the laws and regulations to which we are subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation with consumers and other network participants, banks that issue our cards and regulators, and could materially and adversely affect our business, operating results and financial condition.

Changes in laws and regulations to which we are subject, or to which we may become subject, may increase our costs of operation, decrease our operating revenues and disrupt our business.

Changes in laws and regulations may occur that could increase our compliance and other costs of doing business, require significant systems redevelopment, or render our products or services less profitable or obsolete, any of which could have an adverse effect on our results of operations. We could face more stringent anti-money laundering rules and regulations, as well as more stringent licensing rules and regulations, compliance with which could be expensive and time consuming. For example, more stringent anti-money laundering regulations could require the collection and verification of more information from our customers, which could have a material adverse effect on our operations.

Changes in laws and regulations governing the way our products and services are sold could adversely affect our ability to distribute our products and services and the cost of providing those products and services. If onerous regulatory requirements were imposed on the sale of our products and services, the requirements could lead to a loss of retail distributors, which, in turn, could materially and adversely impact our operations. For example, in June 2010, the Financial Crimes Enforcement Network, or FinCEN, published for comment proposed new rules that, if adopted as proposed, would establish a more comprehensive regulatory framework for access to prepaid financial services. As currently drafted, the proposed rules would significantly change the way customer data is collected for certain prepaid products (including our cards) by shifting the point of collection to our retail distributors. We believe that, if the rules are adopted as currently proposed, we and our retail distributors would need to modify operational elements of our product offering to comply with the proposed rules. If we or any of our retail distributors were unwilling or unable to make any required operational changes to comply with the proposed rules as adopted, we would no longer be able to sell our cards through that noncompliant retail distributor, which could have a material adverse effect on our business, financial position and results of operations.

In light of current economic conditions, legislators and regulators have increased their focus on the banking and consumer financial services industry, and there are extensive proposals in the U.S. Congress that could substantially change the way banks (including card issuing banks) and other financial services companies are regulated and able to offer their products to consumers. These changes, if made, could have an adverse effect on our business, financial position and results of operations. For example, changes in the way we or the banks that issue our cards are regulated could expose us to increased regulatory oversight and litigation. In addition, changes in laws and regulations that limit the fees or interchange rates that can be charged or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues.

Our pending bank acquisition will, if successful, subject our business to significant new, and potentially changing, regulatory requirements, which may adversely affect our business, financial position and results of operations.

Upon consummation of our pending bank acquisition, we will become a bank holding company under the Bank Holding Company Act of 1956, or BHC Act. As a bank holding company, we will be required to file periodic reports with, and will be subject to comprehensive supervision and examination by, the Federal Reserve Board. Among other things, we and the subsidiary bank we acquire will be subject to risk-based and leverage capital requirements, which could adversely affect our results of

operations and restrict our ability to grow. These capital requirements, as well as other federal laws applicable to banks and bank holding companies, could also limit our ability to pay dividends. We also would likely incur additional costs associated with legal and regulatory compliance as a bank holding company, which could adversely affect our results of operations. In addition, as a bank holding company, we would generally be prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies. This restriction might limit our ability to pursue future business opportunities we might otherwise consider but which might fall outside the activities permissible for a bank holding company. See Business Regulation Bank Regulations.

Moreover, substantial changes to banking laws are possible in the near future. There are extensive proposals in the U.S. Congress that could substantially change the regulatory framework affecting our operations. These changes, if they are made, could have an adverse effect on our business, financial position and results of operations.

We rely on relationships with card issuing banks to conduct our business, and our results of operations and financial position could be materially and adversely affected if we fail to maintain these relationships or we maintain them under new terms that are less favorable to us.

Substantially all of our cards are issued by Columbus Bank and Trust Company or GE Money Bank. Our relationships with these banks are currently, and will be for the foreseeable future, a critical component of our ability to conduct our business and to maintain our revenue and expense structure, because we are currently unable to issue our own cards, and, notwithstanding our pending bank acquisition, will be unable to do so for the foreseeable future at the volume necessary to conduct our business, if at all. If we lose or do not maintain existing banking relationships, we would incur significant switching and other costs and expenses and we and users of our products and services could be significantly affected, creating contingent liabilities for us. As a result, the failure to maintain adequate banking relationships could have a material adverse effect on our business, results of operations and financial condition. Our agreements with the banks that issue our cards provide for revenue-sharing arrangements and cost and expense allocations between the parties. Changes in the revenue-sharing arrangements or the costs and expenses that we have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or, following their expiration in 2012 and 2015, renew our agreements with the banks that currently issue substantially all of our cards under terms at least as favorable to us as those existing before renewal.

We receive important services from third-party vendors, including card processing from Total System Services, Inc. Replacing them would be difficult and disruptive to our business.

Some services relating to our business, including fraud management and other customer verification services, transaction processing and settlement, card production and customer service, are outsourced to third-party vendors, such as Total System Services, Inc. for card processing and Genpact International, Inc. for call center services. It would be difficult to replace some of our third-party vendors, particularly Total System Services, in a timely manner if they were unwilling or unable to provide us with these services in the future, and our business and operations could be adversely affected.

Changes in credit card association or other network rules or standards set by Visa and MasterCard, or changes in card association and debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations.

We and the banks that issue our cards are subject to Visa and MasterCard association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as Total Systems Services, Inc. The termination of the card association registrations held by us or any of the banks that issue our cards or any changes in card association or other debit network rules or

standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card associations increase the organization and/or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, operating results and financial condition.

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the three months ended March 31, 2010, interchange revenues represented 30.0% of our total operating revenues, and we expect interchange revenues to continue to represent a significant percentage of our total operating revenues in the near term. The amount of interchange revenues that we earn is highly dependent on the interchange rates that Visa and MasterCard set and adjust from time to time. There is a substantial likelihood that interchange rates for certain products and certain issuing banks will decline significantly in the future as a result of the expected enactment of the Dodd-Frank Bill. While the interchange rates that may be earned by us and the bank we propose to acquire would be unaffected if the Dodd-Frank Bill is enacted into law in its current form, there can be no assurance that future legislation or regulation will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by Visa or MasterCard or future legislation or regulation, we would likely need to change our fee structure to compensate for lost interchange revenues. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention. We also might have to discontinue certain products or services. As a result, our operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

Our business could suffer if there is a decline in the use of prepaid cards as a payment mechanism or there are adverse developments with respect to the prepaid financial services industry in general.

As the prepaid financial services industry evolves, consumers may find prepaid financial services to be less attractive than traditional or other financial services. Consumers might not use prepaid financial services for any number of reasons, including the general perception of our industry. For example, negative publicity surrounding other prepaid financial service providers could impact our business and prospects for growth to the extent it adversely impacts the perception of prepaid financial services among consumers. If consumers do not continue or increase their usage of prepaid cards, our operating revenues may remain at current levels or decline. Predictions by industry analysts and others concerning the growth of the prepaid financial services as an electronic payment mechanism, including those included in this prospectus, may overstate the growth of any industry, segment or category, and you should not rely upon them. The projected growth may not occur or may occur more slowly than estimated. If consumer acceptance of prepaid financial services does not continue to develop or develops more slowly than expected or if there is a shift in the mix of payment forms, such as cash, credit cards, traditional debit cards and prepaid cards, away from our products and services, it could have a material adverse effect on our financial position and results of operations.

Fraudulent and other illegal activity involving our products and services could lead to reputational damage to us and reduce the use and acceptance of our cards and reload network.

Criminals are using increasingly sophisticated methods to capture cardholder account information in order to engage in illegal activities such as counterfeiting and identity theft. We rely upon third parties for some transaction processing services, which subjects us to risks related to the vulnerabilities of those third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, could result in reputational damage to us, which could reduce the use and acceptance of our cards and other products and services, cause retail distributors or network acceptance members to cease doing business with us or lead to greater regulation that would increase our compliance costs.

A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

We, the banks that issue our cards and our retail distributors, network acceptance members and third-party processors receive, transmit and store confidential customer and other information in connection with the sale and use of our prepaid financial services. Our encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches by third parties. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. The banks that issue our cards and our retail distributors, network acceptance members and third-party processors also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties systems or databases could result in the theft, publication, deletion or modification of confidential customer and other information.

A data security breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving our products and services, reputational damage and claims or regulatory actions against us. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our operating revenues and profitability. We would also likely have to pay (or indemnify the banks that issue our cards for) fines, penalties and/or other assessments imposed by Visa or MasterCard as a result of any data security breach. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. In addition, a data security breach at one of the banks that issue our cards or at our retail distributors, network acceptance members or third-party processors could result in significant reputational harm to us and cause the use and acceptance of our cards to decline, either of which could have a significant adverse impact on our operating revenues and future growth prospects.

Litigation or investigations could result in significant settlements, fines or penalties.

We have been the subject of general litigation and regulatory oversight in the past, and could be the subject of litigation, including class actions, and regulatory or judicial proceedings or investigations in the future. The outcome of litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies in these matters may seek recovery of very large or indeterminate amounts or seek to have aspects of our business suspended or modified. The monetary and other impact of these actions may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant.

If regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, our business, results of operations and financial condition could be adversely affected. Adverse publicity that may be associated with regulatory or judicial proceedings or investigations could negatively impact our relationships with retail distributors, network acceptance members and card processors and decrease acceptance and use of, and loyalty to, our products and related services.

We must adequately protect our brand and the intellectual property rights related to our products and services and avoid infringing on the proprietary rights of others.

The Green Dot brand is important to our business, and we utilize trademark registrations and other means to protect it. Our business would be harmed if we were unable to protect our brand against infringement and its value was to decrease as a result.

We rely on a combination of trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We may unknowingly violate the intellectual property or other proprietary rights of others and, thus, may be subject to claims by third parties. If so, we may be required to devote significant time and resources to defending against these claims or to protecting and enforcing our own rights. Some of our intellectual property rights may not be protected by intellectual property laws, particularly in foreign jurisdictions. The loss of our intellectual property or the inability to secure or enforce our intellectual property rights or to defend successfully against an infringement action could harm our business, results of operations, financial condition and prospects.

We are exposed to losses from cardholder account overdrafts.

Our cardholders can incur charges in excess of the funds available in their accounts, and we may become liable for these overdrafts. While we decline authorization attempts for amounts that exceed the available balance in a cardholder s account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card s monthly maintenance fee, among other things, can result in overdrawn accounts.

Maintenance fee assessment overdrafts accounted for approximately 94% of aggregate overdrawn account balances in the three months ended March 31, 2010. Maintenance fee assessment overdrafts occur as a result of our charging a cardholder, pursuant to the card s terms and conditions, the monthly maintenance fee at a time when he or she does not have sufficient funds in his or her account. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Reserve for Uncollectible Overdrawn Accounts.

Our remaining overdraft exposure arises primarily from late-posting. A late-post occurs when a merchant posts a transaction within a card association-permitted timeframe but subsequent to our release of the authorization for that transaction, as permitted by card association rules. Under card association rules, we may be liable for the amount of the transaction even if the cardholder has made additional purchases in the intervening period and funds are no longer available on the card at the time the transaction is posted.

Overdrawn account balances are funded on our behalf by the bank that issued the overdrawn card. We are responsible to this card issuing bank for any losses associated with these overdrafts. Overdrawn account balances are therefore deemed to be our receivables due from cardholders. We maintain reserves to cover the risk that we may not recover these receivables due from our cardholders, but our exposure may increase above these reserves for a variety of reasons, including our failure to predict the actual recovery rate accurately. To the extent we incur losses from overdrafts above our reserves or we determine that it is necessary to increase our reserves substantially, our business, results of operations and financial condition could be materially and adversely affected.

We face settlement risks from our retail distributors, which may increase during an economic downturn.

The vast majority of our business is conducted through retail distributors that sell our products and services to consumers at their store locations. Our retail distributors collect funds from the consumers who purchase our products and services and then must remit these funds directly to accounts established on behalf of these consumers at the banks that issue our cards. The remittance of these funds by the retail distributor takes on average three business days. If a retail distributor becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to the card issuing bank from the sales of our products and services, we are liable for any amounts owed to the card issuing bank. As of March 31, 2010, we had assets subject to settlement risk of $30.8 million. Given the unprecedented volatility in global financial markets and the frequent occurrence of negative economic events, the approaches we use to assess and monitor the creditworthiness of our retail

distributors may be inadequate, and we may be unable to detect and take steps to mitigate an increased credit risk in a timely manner.

A further economic downturn could result in settlement losses, whether or not directly related to our business. We are not insured against these risks. Significant settlement losses could have a material adverse effect on our business, results of operations and financial condition.

Future acquisitions or investments could disrupt our business and harm our financial condition.

We are in the process of acquiring a bank holding company and its subsidiary commercial bank, although we cannot guarantee when, if ever, this acquisition will be completed. In addition, we may pursue other acquisitions or investments that we believe will help us to achieve our strategic objectives. The process of integrating an acquired business, product or technology can create unforeseen operating difficulties, expenditures and other challenges such as:

- increased regulatory and compliance requirements, including, if we complete our pending bank acquisition, capital requirements applicable to us and our acquired subsidiary bank;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business to acquisition integration challenges;
- coordination of product, sales, marketing and program and systems management functions;
- transition of the acquired company s users and customers onto our systems;
- retention of employees from the acquired company;
- integrating employees from the acquired company into our organization;
- integration of the acquired company s accounting, information management, human resource and other administrative systems and operations generally with ours;
- liability for activities of the acquired company prior to the acquisition, including violations of law, commercial disputes, and tax and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims brought by terminated employees, customers, former stockholders or other third parties.

If we are unable to address these difficulties and challenges or other problems encountered in connection with our bank acquisition or any future acquisition or investment, we might not realize the anticipated benefits of that acquisition or investment, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally.

To the extent we pay the consideration for any future acquisitions or investments in cash, it would reduce the amount of cash available to us for other purposes. Future acquisitions or investments could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, or impairment charges against goodwill on our balance sheet, any of which could harm our financial condition and negatively impact our stockholders.

Economic, political and other conditions may adversely affect trends in consumer spending.

The electronic payments industry, including the prepaid financial services segment within that industry, depends heavily upon the overall level of consumer spending. Sustained deterioration in general economic conditions in the United States might reduce the number of our cards that are purchased or reloaded, the number of transactions involving our cards and the use of our reload network and related services. If general economic conditions result in a sustained reduction in the use of our products and related services, either as a result of a general reduction in consumer spending or as a result of a disproportionate reduction in the use of card-based payment systems, our business, results of operations and financial condition would be materially harmed.

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers.

Our ability to provide reliable service to cardholders and other network participants depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our retail distributors, network acceptance members and third-party processors. Our business involves movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success depends upon the efficient and error-free handling of the money that is collected by our retail distributors and remitted to network acceptance members or the banks that issue our cards. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our retail distributors, our network acceptance members and third-party processors to process and facilitate these transactions in an efficient, uninterrupted and error-free manner.

In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting our systems or processes, or those of our vendors, or an improper action by our employees, agents or third-party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. The measures we have taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful, and we may experience other problems unrelated to system failures. We may also experience software defects, development delays and installation difficulties, any of which could harm our business and reputation and expose us to potential liability and increased operating expenses. Some of our contracts with retail distributors, including our contract with Walmart, contain service level standards pertaining to the operation of our systems, and provide the retail distributor with the right to collect damages and potentially to terminate its contract with us for system downtime exceeding stated limits. If we face system interruptions or failures, our business interruption insurance may not be adequate to cover the losses or damages that we incur.

We must be able to operate and scale our technology effectively to match our business growth.

Our ability to continue to provide our products and services to a growing number of network participants, as well as to enhance our existing products and services and offer new products and services, is dependent on our information technology systems. If we are unable to manage the technology associated with our business effectively, we could experience increased costs, reductions in system availability and losses of our network participants. Any failure of our systems in scalability and functionality would adversely impact our business, financial condition and results of operations.

If we are unable to keep pace with the rapid technological developments in our industry and the larger electronic payments industry necessary to continue providing our network acceptance members and cardholders with new and innovative products and services, the use of our cards and other products and services could decline.

The electronic payments industry is subject to rapid and significant technological changes, including continuing advancements in the areas of radio frequency and proximity payment devices (such as contactless cards), e-commerce and mobile commerce, among others. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of, and access to, new technologies.

We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. Additionally, we may make future investments in, or enter into strategic alliances to develop, new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. However, our ability to transition to new services and technologies that we develop may be inhibited by a lack of industry-wide standards, by resistance from our retail distributors, network acceptance members, third-party processors or consumers to these changes, or by the intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful or may have an adverse effect on our business, financial condition and results of operations.

As a public company, we will be subject to additional financial and other reporting and corporate governance requirements that may be difficult for us to satisfy, will raise our costs and may divert resources and management attention from operating our business.

We have historically operated as a private company. After this offering, we will need to file with the Securities and Exchange Commission, or SEC, annual and quarterly information and other reports that are specified in the Securities Exchange Act of 1934, as amended, or the Exchange Act, and SEC regulations. Thus, we will need to ensure that we have the ability to prepare on a timely basis financial statements that comply with SEC reporting requirements. We will also become subject to other reporting and corporate governance requirements, including the listing standards of the New York Stock Exchange, or the NYSE, and the provisions of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the regulations promulgated thereunder, which will impose significant new compliance obligations upon us. As a public company, we will be required, among other things, to:

- prepare and distribute periodic reports and other stockholder communications in compliance with our obligations under the federal securities laws and the NYSE rules;

- define and expand the roles and the duties of our board of directors and its committees;

- institute more comprehensive compliance, investor relations and internal audit functions;

- evaluate and maintain our system of internal control over financial reporting, and report on management s assessment thereof, in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC and the Public Company Accounting Oversight Board; and

- involve and retain outside legal counsel and accountants in connection with the activities listed above.

The adequacy of our internal control over financial reporting must be assessed by management for each year commencing with the year ending December 31, 2011. We do not currently have comprehensive documentation of our internal control over financial reporting, nor do we document our compliance with these controls on a periodic basis in accordance with Section 404 of the Sarbanes-Oxley Act. Furthermore, we have not tested our internal control over financial reporting in accordance with Section 404 and, due to our lack of documentation, this testing would not be possible at this time. If we were unable to implement the controls and procedures required by Section 404 in a timely manner or otherwise to comply with Section 404, management might not be able to certify, and our independent registered public accounting firm might not be able to report on, the adequacy of our internal control over financial reporting. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a

negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements.

The changes necessitated by becoming a public company will require a significant commitment of additional resources and management oversight that will increase our costs and might place a strain on our systems and resources. As a result, our management s attention might be diverted from other business concerns. In addition, we might not be successful in implementing and maintaining controls and procedures that comply with these requirements. For example, in connection with the audit of our consolidated financial statements for the fiscal year ended July 31, 2009, we identified a significant deficiency in our internal control over financial reporting relating to our financial statement closing process and the need to enhance our financial reporting resources and infrastructure. If we fail to maintain an effective internal control environment or to comply with the numerous legal and regulatory requirements imposed on public companies, we could make material errors in, and be required to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

Our future success depends on our ability to attract, integrate, retain and incentivize key personnel.

Our future success will depend, to a significant extent, on our ability to attract, integrate, retain and incentivize key personnel, namely our management team and experienced sales, marketing and program and systems management personnel. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and systems management personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed.

We might require additional capital to support our business in the future, and this capital might not be available on acceptable terms, or at all.

If our unrestricted cash and cash equivalents balances and any cash generated from operations are not sufficient to meet our future cash requirements, we will need to access additional capital to fund our operations. We may also need to raise additional capital to take advantage of new business or acquisition opportunities. We may seek to raise capital by, among other things:

issuing additional shares of our Class A common stock or other equity securities;

issuing debt securities; or

borrowing funds under a credit facility.

We may not be able to raise needed cash in a timely basis on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors might be willing to purchase our Class A common stock could be lower than the initial public offering price. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our Class A common stock. In addition, if we were to raise cash through a debt financing, the terms of the financing might impose additional conditions or restrictions on our operations that could adversely affect our business. If we require new sources of financing but they are insufficient or unavailable, we would be required to modify our operating plans to take into account the limitations of available funding, which would harm our ability to maintain or grow our business.

The occurrence of catastrophic events could damage our facilities or the facilities of third parties on which we depend, which could force us to curtail our operations.

We and some of the third-party service providers on which we depend for various support functions, such as customer service and card processing, are vulnerable to damage from catastrophic events, such as power loss, natural disasters, terrorism and similar unforeseen events beyond our control. Our principal offices, for example, are situated in the foothills of southern California near known earthquake fault zones and areas of elevated wild fire danger. If any catastrophic event were to occur, our ability to operate our business could be seriously impaired, as we do not maintain redundant systems for critical business functions, such as finance and accounting. In addition, we might not have adequate insurance to cover our losses resulting from catastrophic events or other significant business interruptions. Any significant losses that are not recoverable under our insurance policies, as well as the damage to, or interruption of, our infrastructure and processes, could seriously impair our business and financial condition.

Risks Related to Our Class A Common Stock and This Offering

We cannot assure you that a market will develop for our Class A common stock or what the market price of our Class A common stock will be.

No public trading market currently exists for our Class A common stock, and one may not develop or be sustained after this offering to provide you with adequate liquidity. If a market does not develop or is not sustained, it may be difficult for you to sell your shares of Class A common stock at an attractive price or at all. We cannot predict the prices at which our Class A common stock will trade. The initial public offering price for our Class A common stock will be determined through negotiations among us, the selling stockholders and representatives of the underwriters and may not bear any relationship to the market price at which our Class A common stock will trade in the public market following this offering or to any other established criteria of the value of our business. A significant portion of our shares may not trade following the offering because our existing stockholders will continue to own approximately 90.5% of our shares. If these shares do not trade, there may be limited liquidity for shares of our Class A common stock following this offering.

The price of our Class A common stock may be volatile, and you could lose all or part of your investment.

In the recent past, stocks generally, and financial services company stocks in particular, have experienced high levels of volatility. The trading price of our Class A common stock following this offering may fluctuate substantially and may be higher or lower than the initial public offering price. The trading price of our Class A common stock following this offering will depend on a number of factors, including those described in this Risk Factors section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock as you may be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our Class A common stock;

actual or anticipated developments in our business or our competitors businesses or the competitive landscape generally;

the public s reaction to our press releases, other public announcements and filings with the SEC;

litigation involving us, our industry or both or investigations by regulators into our operations or those of our competitors;

new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

changes in accounting standards, policies, guidelines, interpretations or principles;

general economic conditions; and

sales of shares of our Class A common stock by us or our stockholders.

In the past, many companies that have experienced volatility in the market price of their stock have become subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management s attention from other business concerns, which could seriously harm our business.

Our operating results may fluctuate in the future, which could cause our stock price to decline.

Our quarterly and annual results of operations may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of investors or any securities analysts who follow our Class A common stock, the trading price of our Class A common stock could decline substantially. Fluctuations in our quarterly or annual results of operations may be due to a number of factors, including, but not limited to:

the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;

the timing and success of new product or service introductions by us or our competitors;

seasonality in the purchase or use of our products and services;

reductions in the level of interchange rates that can be charged;

fluctuations in customer retention rates;

changes in the mix of products and services that we sell;

changes in the mix of retail distributors through which we sell our products and services;

the timing of commencement, renegotiation or termination of relationships with significant retail distributors;

the timing of commencement, renegotiation or termination of relationships with significant network acceptance members;

changes in our or our competitors pricing policies or sales terms;

the timing of commencement and termination of major advertising campaigns;

the timing of costs related to the development or acquisition of complementary businesses;

the timing of costs of any major litigation to which we are a party;

the amount and timing of operating costs related to the maintenance and expansion of our business, operations and infrastructure;

our ability to control costs, including third-party service provider costs;

volatility in the trading price of our Class A common stock, which may lead to higher stock-based compensation expenses or fluctuations in the valuations of vesting equity; and

changes in the regulatory environment affecting the banking or electronic payments industries generally or prepaid financial services specifically.

Concentration of ownership among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our Class B common stock has ten votes per share and our Class A common stock, which is the stock we are selling in this offering, has one vote per share. Assuming the underwriters option to purchase additional shares is not exercised, based upon beneficial ownership as of March 31, 2010, after giving effect to the issuance of 2,208,552 shares of our Class A common stock to Walmart in May 2010 and 631,426 shares of Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering, following this offering, our current directors, executive officers, holders of more than 5% of our total shares of common stock outstanding and their respective affiliates will, in the aggregate, beneficially own approximately 56.0% of our outstanding Class A and Class B common stock, representing approximately 64.8% of the voting power of our outstanding capital stock. As a result, these stockholders will be able to exercise a controlling influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our Class A common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions. See Description of Capital Stock Anti-Takeover Provisions.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Upon completion of this offering, we will have outstanding 40,723,367 shares of our common stock, assuming no exercise of outstanding options or warrants after March 31, 2010 (other than as described below) and based on the number of shares outstanding as of March 31, 2010 after giving effect to the issuance of 2,208,552 shares of our Class A common stock to Walmart in May 2010 and 631,426 shares of our Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering. The shares sold in this offering will be immediately tradable without restriction. Of the remaining shares:

No shares will be eligible for sale in the public market immediately upon completion of this offering;

34,601,658 shares will be eligible for sale in the public market upon the expiration of lock-up and/or market standoff agreements, subject in some cases to the volume and other restrictions

of Rule 144 and Rule 701 promulgated under the Securities Act of 1933, as amended, or the Securities Act; and

The remainder of the shares will be eligible for sale in the public market from time to time thereafter upon the lapse of our right of repurchase with respect to any unvested shares.

The lock-up and market standoff agreements expire 180 days after the date of this prospectus, except that with respect to the lock-up agreements the 180-day period may be extended for up to 34 additional days under specified circumstances where we announce or pre-announce earnings or a material event occurs within 17 days prior to, or 16 days after, the termination of the 180-day period. The representatives of the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

Pursuant to the terms of our ninth amended and restated registration rights agreement, immediately following this offering, the holders of approximately 29,340,590 shares of our Class A and Class B common stock and warrants to purchase our Class B common stock will be entitled to rights with respect to the registration of these shares under the Securities Act. See Description of Capital Stock Registration Rights. If we register the resale of their shares following the expiration of the lock-up and market standoff agreements, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rules 144 and 701.

After the closing of this offering, we intend to register approximately 7,600,000 shares of our Class A and Class B common stock subject to options outstanding or reserved for future issuance under our stock incentive plans. Of these shares, approximately 3,600,000 shares will be eligible for sale upon the exercise of vested options immediately after the expiration of the lock-up and market standoff agreements. In addition, the shares subject to an unvested warrant to purchase up to 4,283,456 shares of our Class B common stock will be eligible for sale after the expiration of lock-up and/or market standoff agreements.

Sales of substantial amounts of our Class A common stock in the public market following this offering, or even the perception that these sales could occur, could cause the trading price of our Class A common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Because the initial public offering price of our Class A common stock will be substantially higher than the pro forma net tangible book value per share of our outstanding Class A and Class B common stock following this offering, new investors will experience immediate and substantial dilution.

The initial public offering price will be substantially higher than the pro forma net tangible book value per share of our Class A and Class B common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our Class A common stock in this offering, you will experience immediate dilution of approximately $31.38 per share (assuming the Class A common stock is offered at $33.50 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus), the difference between the price per share you pay for our Class A common stock and its pro forma net tangible book value per share as of March 31, 2010, after giving effect to the issuance of 2,208,552 shares of our Class A common stock in May 2010 and 631,426 shares of our Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering (for an aggregate exercise price of approximately $1.4 million) in order to sell the underlying shares of Class A common stock in this offering. See Dilution. Furthermore, investors purchasing shares of our Class A common stock in this offering will only own approximately 10.2% of our outstanding shares of Class A and Class B common stock (and have 1.2% of the combined voting power of the outstanding shares

of our Class A and Class B common stock) after the offering even though their aggregate investment will represent 376.3% of the total consideration received by us in connection with all initial sales of shares of our capital stock outstanding as of March 31, 2010, after giving effect to the issuance of 2,208,552 shares of our Class A common stock in May 2010 and 631,426 shares of our Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering. To the extent outstanding options and warrants to purchase our Class B common stock are exercised, investors purchasing our Class A common stock in this offering will experience further dilution.

Our charter documents and Delaware law could discourage, delay or prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our restated certificate of incorporation and our restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to nominate directors for election to our board of directors and take other corporate actions. These provisions, among other things:

provide our Class B common stock with disproportionate voting rights (see Concentration of ownership among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions above);

provide for non-cumulative voting in the election of directors;

provide for a classified board of directors;

authorize our board of directors, without stockholder approval, to issue preferred stock with terms determined by our board of directors and to issue additional shares of our Class A and Class B common stock;

limit the voting power of a holder, or group of affiliated holders, of more than 24.9% of our common stock to 14.9%;

provide that only our board of directors may set the number of directors constituting our board of directors or fill vacant directorships;

prohibit stockholder action by written consent and limit who may call a special meeting of stockholders; and

require advance notification of stockholder nominations for election to our board of directors and of stockholder proposals.

These and other provisions in our restated certificate of incorporation and our restated bylaws, as well as provisions under Delaware law, could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our Class A common stock and result in the trading price of our Class A common stock being lower than it otherwise would be. See Description of Capital Stock, including Preferred Stock and Anti-Takeover Provisions.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our Class A common stock, the trading price of our Class A common stock could decline.

We expect that the trading price for our Class A common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who may elect to cover us or our business downgrade their evaluations of our Class A common stock, the price of our Class A common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our capital stock. Should we complete our proposed acquisition of a bank holding company and its subsidiary commercial bank, as a bank holding company, our ability to pay future dividends could be limited by the capital requirements imposed under the BHC Act, as well as other federal laws applicable to banks and bank holding companies. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you will likely receive a return on your investment in our Class A common stock only if the market price of our Class A common stock increases.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this prospectus contains forward-looking statements. We may, in some cases, use words, such as project, believe, anticipate, plan, expect, estimate, intend, continue, should, would, will or may, or other similar words and expressions that convey uncertainty about future events or outcomes to identify these forward-looking statements. Forward-looking statements in this prospectus include, among other things, statements about:

- our expectations regarding our operating revenues, expenses, effective tax rates and other results of operations;
- our anticipated capital expenditures and our estimates regarding our capital requirements;
- our liquidity and working capital requirements;
- our need to obtain additional funding and our ability to obtain future funding on acceptable terms;
- the impact of seasonality on our business;
- the growth rates of the markets in which we compete;
- our anticipated strategies for growth and sources of new operating revenues;
- maintaining and expanding our customer base and our relationships with retail distributors and network acceptance members;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs;
- our current and future products, services, applications and functionality and plans to promote them;
- anticipated trends and challenges in our business and in the markets in which we operate;
- the evolution of technology affecting our products, services and markets;
- our ability to retain and hire necessary employees and to staff our operations appropriately;
- management compensation and the methodology for its determination;
- our ability to find future acquisition opportunities on favorable terms or at all and to manage any acquisitions;
- our ability to complete our pending bank acquisition and our expectations regarding the benefits of doing so;
- our efforts to make our business more vertically integrated;
- our ability to compete in our industry and innovation by our competitors;

our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;

estimates and estimate methodologies used in preparing our consolidated financial statements and determining option exercise prices; and

the future trading prices of our Class A common stock and the impact of any securities analysts reports on these prices.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These risks, uncertainties and factors include those we discuss in this prospectus under the caption Risk Factors. You should read these risk factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

INDUSTRY AND MARKET DATA

This prospectus also contains estimates and other statistical data, including those relating to market size, transaction volumes, demographic groups and growth rates of the markets in which we participate, that we have obtained from industry publications and reports. These industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates, as there is no assurance that any of them will be reached. Although we have not independently verified the accuracy or completeness of the data contained in these industry publications and reports, based on our industry experience we believe that the publications and reports are reliable and that the conclusions contained in the publications and reports are reasonable.

USE OF PROCEEDS

The selling stockholders are selling all of the shares in this offering. We will not receive any proceeds from the sale of shares of our Class A common stock by the selling stockholders.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our Class A common stock for the foreseeable future. Should we complete our proposed acquisition of a bank holding company and its subsidiary commercial bank, as a bank holding company, the Federal Reserve Board s risk-based and leverage capital requirements, as well as other federal laws applicable to banks and bank holding companies, could limit our ability to pay dividends. See Business Regulation Bank Regulations below. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our Class A common stock, if permissible, will be at the discretion of our board of directors and will depend upon, among other factors, our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our consolidated cash, cash equivalents and restricted cash and capitalization as of March 31, 2010 on:

an actual basis; and

a pro forma basis to give effect to (i) the issuance of 2,208,552 shares of Class A common stock in May 2010 and (ii) the automatic conversion of all outstanding shares of our preferred stock into 24,941,421 shares of our Class B common stock immediately prior to the completion of this offering.

The information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of the offering determined at the pricing of this offering. You should read this table together with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, each included elsewhere in this prospectus.

	March 31, 2010	
	Actual	Pro Forma(1)
	(In thousands)	
Cash, cash equivalents and restricted cash(2)	$ 102,538	$ 102,538
Long-term debt	$	$
Stockholders equity:		
Convertible preferred stock, $0.001 par value: 25,554,000 shares authorized, 24,941,421 shares issued and outstanding, actual; 5,000,000 shares authorized, no shares issued or outstanding, pro forma	31,322	
Class A common stock, $0.001 par value: one vote per share, 50,000,000 shares authorized, no shares issued or outstanding actual, 2,208,552 shares issued and outstanding, pro forma		
Class B common stock, $0.001 par value: ten votes per share, 50,000,000 shares authorized, 12,941,968 shares issued and outstanding, actual; 37,883,389 shares issued and outstanding, pro forma	13	38
Additional paid-in capital	14,745	46,042
Retained earnings	40,241	40,241
Total stockholders equity	86,321	86,321
Total capitalization	$ 86,321	$ 86,321

(1) Excludes the impact of option and warrant exercises at the closing of this offering, including our associated tax withholding obligation, by the selling stockholders, who we expect will exercise options and warrant to purchase

631,426 shares of our Class B common stock, with a weighted average exercise price of $2.19 per share, in order to sell the underlying shares of Class A common stock in this offering.

(2) Includes $5.4 million of restricted cash. We maintain restricted deposits in bank accounts to support our line of credit.

In the table above, the number of shares outstanding as of March 31, 2010 does not include:

5,684,079 shares of our Class B common stock issuable upon the exercise of stock options outstanding as of March 31, 2010 with a weighted average exercise price of $8.46 per share (including 347,640 shares that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested stock options with a weighted average exercise price of $2.84 per share and conversion of the shares received into shares of our Class A common stock);

4,567,242 shares of our Class B common stock issuable upon the exercise of warrants outstanding as of March 31, 2010 with a weighted average exercise price of $22.32 per share, including a warrant to purchase up to 4,283,456 shares that is exercisable only upon the achievement of performance goals specified in our arrangement with PayPal, Inc. (including 283,786 shares that we expect to be sold in this offering by a selling stockholder upon the full exercise of a warrant with an exercise price of $1.41 per share and the conversion of the shares received into shares of our Class A common stock);

89,000 shares of our Class B common stock issuable upon the exercise of stock options granted after March 31, 2010 with an exercise price of $32.23 per share; and

2,200,000 shares of our Class A common stock reserved for issuance under our 2010 Equity Incentive Plan and our 2010 Employee Stock Purchase Plan, each of which will become effective on the first day that our Class A common stock is publicly traded and contains provisions that will automatically increase its share reserve each year, as more fully described in Executive Compensation Employee Benefit Plans 2010 Equity Incentive Plan.

DILUTION

As of March 31, 2010, our pro forma net tangible book value was approximately $86.3 million, or $2.12 per share. Our pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by 40,723,367, the number of outstanding shares of our Class A and Class B common stock, after giving effect to the issuance of 2,208,552 shares of our Class A common stock in May 2010 and 631,426 shares of our Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering. Except for the issuance of, and the payment of approximately $1.4 million to us for, 631,426 shares acquired through option or warrant exercises in order to sell them in this offering, our net tangible book value will be unaffected by this offering because this offering is being made solely by the selling stockholders and none of the proceeds will be paid to us.

The initial public offering price of our Class A common stock is substantially higher than the pro forma net tangible book value per share of our Class A common stock immediately after this offering. Therefore, if you purchase shares of our Class A common stock in this offering, you will experience immediate and substantial dilution of approximately $31.38 per share (assuming the Class A common stock is offered at $33.50 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus) because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the shares you acquire based on the pro forma net tangible book value per share of our Class A common stock and Class B common stock as of March 31, 2010, after giving effect to the issuance of 2,208,552 shares of our Class A common stock in May 2010. A $1.00 increase or decrease in the assumed initial public offering price of $33.50 per share would increase or decrease, respectively, the dilution experienced by new investors by $1.00 per share.

This dilution is due in large part to the fact that our existing stockholders paid substantially less than the initial public offering price when they purchased their shares. Investors purchasing shares of our Class A common stock in this offering will own approximately 10.2% of our outstanding shares of Class A and Class B common stock (and have 1.2% of the combined voting power of the outstanding shares of our Class A and Class B common stock) after the offering even though their aggregate investment will represent 376.3% of the total consideration of $37.1 million received by us in connection with all initial sales of the shares of our capital stock outstanding as of March 31, 2010, after giving effect to the issuance of 2,208,552 shares of our Class A common stock in May 2010 and 631,426 shares of our Class B common stock to be acquired by certain selling stockholders through option or warrant exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering.

The above discussion assumes no exercise of our stock options or warrants outstanding as of March 31, 2010 (other than 631,426 shares that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested stock options or warrants), consisting of 5,336,439 shares of our Class B common stock issuable upon the exercise of stock options with a weighted average exercise price of approximately $8.84 per share, and 4,283,456 shares of our Class B common stock issuable upon the exercise of a warrant with an exercise price of $23.70 per share. If all of these options and warrants were exercised, then:

- there would be $28.80 per share of dilution to new investors;

- our existing stockholders, including the holders of these options and warrants, would own 91.7% and our new investors would own 8.3% of the total number of shares of our Class A and Class B common stock outstanding upon the completion of this offering; and our existing stockholders, including the holders of these options and warrants, would have paid 57.3% of total consideration, at an average price per share of $3.72, and our new investors would have paid 42.7% of total consideration.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present selected historical financial data for our business. You should read this information together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, related notes and other financial information, each included elsewhere in this prospectus. The selected consolidated financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the consolidated financial statements and related notes.

We derived the statement of operations data for the years ended July 31, 2007, 2008 and 2009 and for the five months ended December 31, 2009, and the balance sheet data as of July 31, 2008 and 2009 and December 31, 2009, from our audited consolidated financial statements included elsewhere in this prospectus. We derived the balance sheet data as of July 31, 2007 from our audited consolidated financial statements not included in this prospectus. We derived the statement of operations data for the three months ended March 31, 2009 and 2010 and the balance sheet data as of March 31, 2010 from our unaudited consolidated financial statements included elsewhere in this prospectus. We derived the statement of operations data for the years ended July 31, 2005 and 2006 and the balance sheet data as of July 31, 2005 and 2006 from our unaudited consolidated financial statements not included in this prospectus. In the opinion of our management, our unaudited financial data reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of our results for those periods. Our historical results are not necessarily indicative of our results to be expected in any future period.

The pro forma per share data give effect to the conversion of all currently outstanding shares of our convertible preferred stock into shares of our Class B common stock upon the closing of this offering, as though the conversion had occurred at the beginning of the indicated fiscal period. For further information concerning the calculation of pro forma per share information, please refer to note 2 and note 12 of our notes to consolidated financial statements.

	Year Ended July 31,					Five Months Ended December 31,	Three Months Ended March 31,	
	2005	2006	2007	2008	2009	2009	2009	2010
	(Unaudited)						(Unaudited)	
	(In thousands, except per share amounts)							
Consolidated Statement of Operations Data:								
Operating revenues:								
Card revenues	$ 21,771	$ 36,359	$ 45,717	$ 91,233	$ 119,356	$ 50,895	$ 31,185	$ 42,158
Cash transfer revenues	12,064	20,616	25,419	45,310	62,396	30,509	15,744	22,782
Interchange revenues	5,705	9,975	12,488	31,583	53,064	31,353	13,811	27,879
Total operating revenues	39,540	66,951	83,624	168,126	234,816	112,757	60,740	92,819
Operating expenses:								
Sales and marketing expenses	19,148	28,660	38,838	69,577	75,786	31,333	20,016	26,039
	11,584	18,499	20,610	28,303	40,096	26,610	9,410	16,260

Compensation and benefits expenses(1)								
Processing expenses	6,990	8,547	9,809	21,944	32,320	17,480	7,700	14,680
Other general and administrative expenses	6,521	10,077	13,212	19,124	22,944	14,020	5,206	11,755
Total operating expenses	44,243	65,783	82,469	138,948	171,146	89,443	42,332	68,734
Operating income	(4,703)	1,168	1,155	29,178	63,670	23,314	18,408	24,085
Interest income	300	301	771	665	396	115	47	72
Interest expense	(474)	(823)	(625)	(247)	(1)	(2)		(23)
Income before income taxes	(4,877)	645	1,301	29,596	64,065	23,427	18,455	24,134
Income tax expense (benefit)		111	(3,346)	12,261	26,902	9,764	7,749	11,319
Net income	(4,877)	535	4,647	17,335	37,163	13,663	10,706	12,815
Dividends, accretion and allocated earnings of preferred stock		(367)	(5,157)	(13,650)	(29,000)	(9,170)	(7,227)	(8,444)
Net income (loss) allocated to common stockholders	$ (4,877)	$ 168	$ (510)	$ 3,685	$ 8,163	$ 4,493	$ 3,479	$ 4,371
Earnings (loss) per Class B common share:								
Basic	$(0.48)	$0.02	$(0.05)	$0.34	$0.68	$0.37	$0.29	$0.34
Diluted	$(0.48)	$0.01	$(0.05)	$0.26	$0.52	$0.29	$0.22	$0.27
Weighted-average Class B common shares issued and outstanding	10,228	10,873	11,100	10,757	12,036	12,222	12,041	12,913
Weighted-average diluted Class B common shares issued and outstanding	10,228	13,194	11,100	14,154	15,712	15,425	15,501	15,982

	Year Ended July 31,					Five Months Ended December 31,	Three Months Ended March 31,	
	2005	2006	2007	2008	2009	2009	2009	2010
	(Unaudited)						(Unaudited)	
	(In thousands, except per share amounts)							
Pro forma earnings per Class B common share (unaudited):								
Basic					$1.01	$0.37		$0.34
Diluted					$0.91	$0.34		$0.31
Pro forma weighted-average Class B common shares issued and outstanding (unaudited):								
Basic					36,978	37,164		37,855
Diluted					40,654	40,367		40,924
Other Data:								
Adjusted EBITDA(2)	$(3,492)	$3,214	$4,835	$34,825	$70,731	$32,350	$20,122	$27,490

	As of July 31,					As of December 31,	As of March 31,
	2005	2006	2007	2008	2009	2009	2010
	(Unaudited)						(Unaudited)
	(In thousands)						
Consolidated Balance Sheet Data:							
Cash, cash equivalents and restricted cash(3)	$ 15,619	$ 16,670	$ 14,991	$ 41,613	$ 41,931	$ 71,684	$ 102,538
Settlement assets(4)	8,590	12,868	15,412	17,445	35,570	42,569	30,792
Total assets	30,436	42,626	56,441	97,246	123,269	183,108	194,911
Settlement obligations(4)	7,355	8,933	12,916	17,445	35,570	42,569	30,792
Long-term debt	6,769	5,030	2,446				
Total liabilities	25,271	37,004	45,237	65,962	81,031	111,744	108,590
Redeemable convertible preferred stock			22,336	26,816			
Total stockholders equity (deficit)	5,165	5,623	(11,130)	4,468	42,238	71,364	86,321

(1) Includes stock-based compensation expense of $0, $0, $156,000, $1.2 million and $2.5 million for the years ended July 31, 2005, 2006, 2007, 2008 and 2009, respectively, $6.8 million for the five months ended December 31, 2009 and $0.6 million and $1.8 million for the three months ended March 31, 2009 and 2010, respectively.

(2) We anticipate that our investor and analyst presentations will include Adjusted EBITDA, which we currently define as net income plus net interest expense (income), income tax expense (benefit), depreciation and amortization, and stock-based compensation expense and which is a financial measure that is not calculated in accordance with GAAP. We also anticipate that our investor and analyst presentations will include additional non-GAAP financial measures entitled Adjusted Total Operating Revenues and Adjusted Net Income, which are discussed at the end of this footnote (2). The table below provides a reconciliation of Adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with GAAP. Adjusted EBITDA should not be considered as an alternative to net income, operating income or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate Adjusted EBITDA in the same manner as we do. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reason we consider them appropriate.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

Adjusted EBITDA is widely used by investors to measure a company s operating performance without regard to items, such as interest expense, income tax expense, depreciation and amortization, and stock-based compensation expense, that can vary substantially from company to company depending upon their financing structure and accounting policies, the book value of their assets, their capital structures and the method by which their assets were acquired;

securities analysts use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies; and

we adopted a new accounting standard for stock-based compensation effective August 1, 2006 and recorded stock-based compensation expense of approximately $156,000, $1.2 million and $2.5 million for the years ended July 31, 2007, 2008 and 2009, respectively, $6.8 million for the five months ended December 31, 2009 and $0.6 million and $1.8 million for the three months ended March 31, 2009 and 2010, respectively. Prior to August 1, 2006, we accounted for stock-based compensation using the intrinsic value method under previously issued guidance, which resulted in zero stock-based compensation expense. By comparing our Adjusted EBITDA in different historical periods, our investors can evaluate our operating results without the additional variations caused by stock-based compensation expense, which is not comparable from year to year due to changes in accounting treatment, changes in the fair market value of our common stock (which is influenced by external factors like the volatility of public markets) and the financial performance of our peers, and is not a key measure of our operations.

Our management uses Adjusted EBITDA:

as a measure of operating performance, because it does not include the impact of items not directly resulting from our core operations;

for planning purposes, including the preparation of our annual operating budget;

to allocate resources to enhance the financial performance of our business;

to evaluate the effectiveness of our business strategies; and

in communications with our board of directors concerning our financial performance.

We understand that, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

Adjusted EBITDA does not reflect our capital expenditures or future requirements for capital expenditures or other contractual commitments;

Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect interest expense or interest income;

Adjusted EBITDA does not reflect cash requirements for income taxes;

although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for these replacements; and

other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of Adjusted EBITDA (unaudited) to net income, the most comparable GAAP financial measure, for each of the periods indicated.

	Year Ended July 31,					Five Months Ended December 31,	Three Months Ended March 31,	
	2005	2006	2007	2008	2009	2009	2009	2010
				(In thousands)				
Reconciliation of Adjusted EBITDA to Net (Loss) Income								
Net (loss) income	$ (4,877)	$ 535	$ 4,647	$ 17,335	$ 37,163	$ 13,663	$ 10,706	$ 12,815
Interest expense (income), net	174	522	(146)	(418)	(395)	(113)	(47)	(49)
Income tax expense (benefit)		111	(3,346)	12,261	26,902	9,764	7,749	11,319
	1,211	2,046	3,524	4,407	4,593	2,254	1,158	1,563

Depreciation and amortization								
Stock-based compensation expense			156	1,240	2,468	6,782	556	1,842
Adjusted EBITDA	$ (3,492)	$ 3,214	$ 4,835	$ 34,825	$ 70,731	$ 32,350	$ 20,122	$ 27,490

As noted at the beginning of this footnote (2), we anticipate that our investor and analyst presentations will include not only Adjusted EBITDA (as redefined below) but also two other non-GAAP financial measures Adjusted Total Operating Revenues and Adjusted Net Income. These additional non-GAAP financial measures will be included for the reasons described below.

In May 2010, we entered into an amended prepaid card program agreement with Walmart, our largest retail distributor. As an incentive for entering into this agreement, we issued Walmart 2,208,552 shares of our Class A common stock. We expect that we will recognize each month over the 60-month term of the commercial agreement the fair value of the 36,810 shares for which our right to repurchase has lapsed using the then-current fair market value of our Class A common stock. An early expiration of our right to repurchase would, however, result in the recognition of the fair value of all the shares still subject to repurchase on the date of the expiration. We currently believe the possibility of an early expiration of our repurchase right to be remote. We will record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues.

Fluctuations in our total GAAP operating revenues, and thus our GAAP net income, resulting from the equity issuance would make comparisons between fiscal periods difficult. In an effort to provide investors with useful information to evaluate our operating performance, we plan to include in our investor and analyst presentations a non-GAAP financial measure entitled Adjusted Total Operating Revenues, which we intend to define as total GAAP operating revenues less noncash retail distributor incentive compensation that results from the issuance of the stock award to Walmart. Thus, Adjusted Total Operating Revenues will equal card revenues plus cash transfer revenues plus interchange revenues less any retail distributor incentive compensation paid in cash and will be directly comparable to our historical GAAP line item entitled total operating revenues.

We also plan to disclose a non-GAAP financial measure entitled Adjusted Net Income, which will represent the net income that we would have earned had no stock-based compensation, including retail distributor incentive compensation and employee and director stock-based compensation expenses, been recognized.

Finally, beginning in the three months ended June 30, 2010, we intend to redefine the calculation methodology for the Adjusted EBITDA numbers that are analogous to those computed for this prospectus to include not only the adjustments identified in the first sentence of this footnote (2) but also the adjustments to those items resulting from the exclusion of any noncash retail distributor incentive compensation. We intend to provide more detailed explanations regarding these non-

GAAP financial measures and their intended uses, together with reconciliation tables between Adjusted Total Operating Revenues and total operating revenues, Adjusted Net Income and net income, and Adjusted EBITDA and net income, in our Form 10-Q for the quarter ended June 30, 2010 and in our subsequent periodic reports.

In addition, there is a possibility that the warrant to purchase Class B common stock described under Description of Capital Stock Warrants below will vest and become exercisable upon the achievement of certain performance goals by PayPal. If this warrant vests, we will need to determine its fair value on the vesting date using a Black Scholes model and the price of our Class A common stock and record that value as an additional contra-revenue item. In that case, we will also eliminate all effects of that noncash incentive compensation from the non-GAAP measures described above.

(3) Includes $6,025, $2,025, $2,285, $2,328, $15,367, $15,381 and $5,405 of restricted cash as of July 31, 2005, 2006, 2007, 2008 and 2009, December 31, 2009 and March 31, 2010, respectively.

(4) Our retail distributors collect customer funds for purchases of new cards and reloads and then remit these funds directly to bank accounts established on behalf of those customers by the banks that issue our cards. Our retail distributors remittance of these funds takes an average of three business days. Settlement assets represent the amounts due from our retail distributors for customer funds collected at the point of sale that have not yet been remitted to the card issuing banks. Settlement obligations represent the amounts that are due from us to the card issuing banks for funds collected but not yet remitted by our retail distributors and not funded by our line of credit. We have no control over or access to customer funds remitted by our retail distributors to the card issuing banks. Customer funds therefore are not our assets, and we do not recognize them in our consolidated financial statements.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth under Risk Factors and elsewhere in this prospectus.

Overview

Green Dot is a leading prepaid financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. We believe that we are the leading provider of general purpose reloadable prepaid debit cards in the United States and that our Green Dot Network is the leading reload network for prepaid cards in the United States. We sell our cards and offer our reload services nationwide at approximately 50,000 retail store locations, which provide consumers convenient access to our products and services.

We were founded in October 1999 to distribute and service GPR cards. In 2001, we sold our first such card at a Rite Aid store in Virginia. Between 2001 and 2004, we concentrated on increasing our distribution capacity and established distribution agreements with CVS, The Pantry Stores (Kangaroo Express) and Radio Shack, among others. In 2004, we launched the Green Dot Network, which allowed our cardholders to reload funds onto their cards at any of our retail distributors locations regardless of where their cards were initially purchased. For example, this allowed our cards purchased at Rite Aid stores to be reloaded at CVS stores. We also began to market the Green Dot Network to providers of third-party prepaid card programs, which enabled their cardholders to reload funds onto their cards through our Green Dot Network. In 2005, we continued to expand our distribution capacity by establishing a distribution relationship with Walgreens. In May 2007, we began marketing and distributing Green Dot-branded cards through our website.

In October 2006, we entered into agreements with Walmart and GE Money Bank to manage a co-branded GPR card program for Walmart and to provide reload network services at Walmart stores through our Green Dot Network. After an extensive product design and pilot period, we launched the Walmart MoneyCard program in approximately 2,500, or 70%, of Walmart s U.S. stores in July 2007. In October 2007, we launched a Visa-branded non-reloadable gift card program at most of these stores. By March 31, 2010, we offered the Walmart MoneyCard in more than 3,600, or 97%, of Walmart s U.S. stores. Since its inception, the Walmart MoneyCard program has been highly successful, contributing significantly to the increase in our total operating revenues. To enhance the value proposition to cardholders, in February 2009, significant pricing changes were made to the Walmart MoneyCard program. The new card fee, monthly maintenance fee and point-of-sale, or POS, swipe reload fee for Walmart MoneyCards at Walmart stores were each lowered to $3.00 from $8.94, $4.94 and $4.64, respectively. In addition, the sales commission percentage that we paid to Walmart was significantly reduced in order to offset our lost revenue resulting from these substantial fee reductions. Our revenues from Walmart have increased significantly in response to these pricing changes, as substantial increases in volumes more than offset the revenue impact of the lower fees. See also Recent Changes to Our Relationship with Walmart below.

In July 2009, we re-launched our core Green Dot-branded GPR card with new packaging, features and pricing. Our innovative new package contains a temporary prepaid card, for the first time visible to the consumer through the packaging, that can be used immediately upon activation. New card features include free online bill payment services and a fee-free ATM network with approximately 17,000 participating ATMs. We reduced the new card fee from $9.95

to $4.95. We raised the monthly maintenance fee from $4.95 to $5.95, and at the same time instituted maintenance fee waivers for months in which cardholders either load $1,000 or more onto their cards or make at least 30 purchase transactions in order to encourage increased card usage and cardholder retention. The re-launch of the Green Dot-branded GPR card generated significant increases in volume that more than offset the revenue impact of the lower new card fee.

In September 2009, we further expanded our distribution capacity by entering into a distribution agreement with 7-Eleven. Also, in September 2009, PayPal became a new acceptance member in the Green Dot Network, allowing PayPal customers to add funds to a new or existing PayPal account using our MoneyPak product. These funds can be used immediately by account holders unlike funds loaded to PayPal accounts from a bank account, which may not be available for several days. We believe PayPal s customers have begun recognizing the value of our offerings, but to date we have not generated significant operating revenues from our relationship with PayPal. In October 2009, we further expanded our distribution capacity by entering into a joint marketing and referral agreement with Intuit Inc. In January 2010, Intuit integrated into its TurboTax software an option that allows its customers to receive their tax refunds via direct deposit to a Green Dot co-branded GPR card, called a TurboTax Refund Card, that we manage.

In July 2010, we further expanded our distribution capacity by entering into a distribution agreement with Circle K.

Recent Changes to Our Relationship with Walmart

In May 2010, we entered into an amended prepaid card program agreement with Walmart and GE Money Bank. This agreement extended the term of our commercial relationship with Walmart and GE Money Bank to May 2015 and significantly increased the sales commission percentages that we pay to Walmart for the Walmart MoneyCard program, which currently accounts for approximately 85% of the total revenues that we derive from products sold at Walmart, to an estimated 22%, or a level approximately equal to what they had been during the three months ended December 31, 2008. Additionally, the amended agreement provides volume-based incentives that allow Walmart to earn higher sales commission percentages as sales volumes of our products in its stores grow. The agreement also provides for enhanced coordination of Walmart s and our promotional efforts with respect to the Walmart MoneyCard program, including annual contributions by Walmart and us to a joint marketing fund.

Historically, and under our amended agreement with Walmart, the sales commission percentages we pay to Walmart for the Walmart MoneyCard program are derived from a formula and vary based on dynamic program factors, such as new card sales rates, consumer pricing, average cardholder usage and retention. For example, in each quarter of the six consecutive calendar quarters beginning with the three months ended December 31, 2008 and ending with the three months ended March 31, 2010, we paid to Walmart the following sales commission percentages: 21.7%, 16.2%, 5.0%, 7.5%, 7.9% and 6.0%, respectively. As described above, the reduction in the historical sales commission percentages reflects the significant pricing changes that were made to the Walmart MoneyCard program in February 2009. If we did not enter into the amended agreement with Walmart in May 2010, we estimate that our sales commission percentage would have increased to approximately 14% commencing on May 1, 2010 as a result of a scheduled change to the sales commission percentage structure. Under the terms of our amended agreement and based on the same assumptions we used to calculate the estimate in the immediately preceding sentence, we estimate that the sales commission percentages that we pay to Walmart under the MoneyCard program will be approximately 22% through at least 2011. These estimated changes will negatively affect our sales and marketing expenses, net income and net income per share through at least 2011. While we believe the assumptions we used to derive these estimates are reasonable, there can be no assurance that our assumptions or estimates will prove to be accurate predictions of future results. However, for purposes of illustrating the financial impact of these changes, we note that, if the current sales commission percentages had been in effect during the 12 months ended March 31, 2010 (a period fully impacted by the reduced commission rates in effect since February 2009), our average quarterly sales and marketing expenses would have been approximately 10 percentage points higher as a percent of total operating revenues than the historical amounts.

We believe that the new sales commission structure provides a long-term financial incentive for Walmart to continue to grow the volume of our products sold in its stores. As a result, in future periods beyond at least 2011, we believe that, if the volume of our products sold in Walmart stores grows as we expect it will under the amended agreement, the increased sales volumes will more than offset the margin impact of the sales commission percentage increases. However, there can be no assurance that the volume of our products sold in Walmart stores will grow as we expect it will under the amended agreement.

In connection with amending our commercial agreement with Walmart, in May 2010, we issued to Walmart 2,208,552 shares of our Class A common stock. These shares are subject to our right of repurchase upon termination of our commercial agreement with Walmart and GE Money Bank, other than a termination arising out of our knowing, intentional and material breach of the agreement. Our right to repurchase lapses with respect to 36,810 shares per month over the 60-month term of the agreement. This aspect of the equity issuance to Walmart may result in significant fluctuations in our monthly operating revenues, net income and net income per share, as we will recognize each month over the 60-month term the fair value of the 36,810 shares for which our right to repurchase has lapsed using the then-current fair market value of our Class A common stock and will record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. See Comparison of Three Months Ended March 31, 2009 and 2010 Operating Revenues Future Contra-Revenue for more information regarding the financial impact of our equity issuance to Walmart.

Key Business Metrics

We designed our business model to provide low-cost, easy-to-use financial products and services to a large number of customers through retail store and online distribution. We review a number of metrics to help us monitor the performance of, and identify trends affecting, our business. We believe the following measures are the primary indicators of our quarterly and annual performance.

Number of GPR Cards Activated represents the total number of GPR cards sold through our retail and online distribution channels that are activated (and, in the case of our online channel, also funded) by cardholders in a specified period. We activated 894,000, 2.2 million and 3.1 million GPR cards in fiscal 2007, 2008 and 2009, respectively, 976,000 and 2.1 million GPR cards in the five months ended December 31, 2008 and 2009, respectively, and 861,000 and 1.8 million GPR cards in the three months ended March 31, 2009 and 2010, respectively.

Number of Cash Transfers represents the total number of MoneyPak and POS swipe reload transactions that we sell through our retail distributors in a specified period. We sold 5.0 million, 9.2 million and 14.1 million MoneyPak and POS swipe reload transactions in fiscal 2007, 2008 and 2009, respectively, 5.0 million and 8.2 million MoneyPak and POS swipe reload transactions in the five months ended December 31, 2008 and 2009, respectively, and 3.5 million and 5.9 million MoneyPak and POS swipe reload transactions in the three months ended March 31, 2009 and 2010, respectively.

Number of Active Cards represents the total number of GPR cards in our portfolio that have had a purchase, reload or ATM withdrawal transaction during the previous 90-day period. We had 625,000, 1.3 million and 2.1 million active cards outstanding as of July 31, 2007, 2008 and 2009, respectively, 1.4 million and 2.7 million active cards outstanding as of December 31, 2008 and 2009, respectively, and 1.7 million and 3.4 million active cards outstanding as of March 31, 2009 and 2010, respectively.

Gross Dollar Volume represents the total dollar volume of funds loaded to our GPR card and reload products. Our gross dollar volume was $1.1 billion, $2.8 billion and $4.7 billion in fiscal 2007, 2008 and 2009, respectively, $1.6 billion and $2.7 billion in the five months ended December 31, 2008 and 2009, respectively, and $1.2 billion and $2.8 billion in the three months ended March 31, 2009 and 2010, respectively.

Key components of our results of operations

Operating Revenues

We classify our operating revenues into the following three categories:

Card Revenues. Card revenues consist of new card fees, monthly maintenance fees, ATM fees and other revenues. We charge new card fees when a consumer purchases a GPR or gift card in a retail store. We charge maintenance fees on GPR cards to cardholders on a monthly basis pursuant to the terms and conditions in our cardholder agreements. We charge ATM fees to cardholders when they withdraw money or conduct other transactions at certain ATMs in accordance with the terms and conditions in our cardholder agreements. Other revenues consist primarily of fees associated with optional products or services, which we generally offer to consumers during the card activation process. Optional products and services that generate other revenues include providing a second card for an account, expediting delivery of the personalized GPR card that replaces the temporary card obtained at the retail store and upgrading a cardholder account to one of our premium programs the VIP program or Premier Card program which provide benefits for our more active cardholders. Historically, our card revenues have also included customer service fees that we charged in accordance with the terms and conditions in our cardholder agreements.

Our aggregate new card fee revenues vary based upon the number of GPR cards activated and the average new card fee. The average new card fee depends primarily upon the mix of products that we sell since there are variations in new card fees among Green Dot-branded and co-branded products and between GPR cards and general purpose gift cards. Our aggregate monthly maintenance fee revenues vary primarily based upon the number of active cards in our portfolio and the average fee assessed per account. Our average monthly maintenance fee per active account depends upon the mix of Green Dot-branded and co-branded cards in our portfolio and upon the extent to which fees are waived based on significant usage. Our aggregate ATM fee revenues vary based upon the number of cardholder ATM transactions and the average fee per ATM transaction. The average fee per ATM transaction depends upon the mix of Green Dot-branded and co-branded active cards in our portfolio and the extent to which cardholders enroll in our VIP program, which has no ATM fees, or effect ATM transactions on our fee-free ATM network.

Cash Transfer Revenues. We earn cash transfer revenues when consumers purchase and use a MoneyPak or fund their cards through a POS swipe reload transaction in a retail store. Our aggregate cash transfer revenues vary based upon the total number of MoneyPak and POS swipe reload transactions and the average price per MoneyPak or POS swipe reload transaction. The average price per MoneyPak or POS swipe reload transaction depends upon the relative numbers of cash transfer sales at our different retail distributors and on the mix of MoneyPak and POS swipe reload transactions at certain retailers that have different fees for the two types of reload transactions.

Interchange Revenues. We earn interchange revenues from fees remitted by the merchant s bank, which are based on rates established by Visa and MasterCard, when cardholders make purchase transactions using our cards. Our aggregate interchange revenues vary based primarily on the number of active cards in our portfolio and on the mix of cardholder purchases between those using signature identification technologies and those using personal identification numbers.

Operating Expenses

We classify our operating expenses into the following four categories:

Sales and Marketing Expenses. Sales and marketing expenses consist primarily of the sales commissions we pay to our retail distributors and brokers for sales of our GPR and gift cards and reload services in their stores, advertising and marketing expenses, and the costs of manufacturing and distributing card packages, placards and promotional materials to our retail distributors and personalized GPR cards to consumers who have activated their cards. We generally establish sales commission percentages in long-term distribution agreements with our retail distributors, and aggregate sales commissions are determined by the number of prepaid cards and cash transfers sold at their respective retail stores. We incur advertising and marketing expenses for television and online advertisements of our products and through retailer-based print promotions and in-store displays. Advertising and marketing expenses are recognized as incurred and typically deliver a benefit over an extended period of time. For this reason, these expenses do not always track changes in revenues. Our manufacturing and distribution costs vary primarily based on the number of GPR cards activated.

Compensation and Benefits Expenses. Compensation and benefits expenses represent the compensation and benefits that we provide to our employees and the payments we make to third-party contractors. While we have an in-house customer service organization, we employ third-party contractors to conduct all call center operations, handle routine customer service inquiries and provide temporary support in the area of IT operations and elsewhere. Compensation and benefits expenses associated with our customer service and loss management functions generally vary in line with the size of our active card portfolio, while the expenses associated with other functions do not.

Processing Expenses. Processing expenses consist primarily of the fees charged to us by the banks that issue our prepaid cards, the third-party card processor that maintains the records of our customers accounts and processes transaction authorizations and postings for us, and Visa and MasterCard, which process transactions for us through their respective payment networks. These costs generally vary based on the total number of active cards in our portfolio.

Other General and Administrative Expenses. Other general and administrative expenses consist primarily of professional service fees, telephone and communication costs, depreciation and amortization of our property and equipment, losses from unrecovered customer purchase transaction overdrafts and fraud, rent and utilities, and insurance. We incur telephone and communication costs primarily from customers contacting us through our toll-free telephone numbers. These costs vary with the total number of active cards in our portfolio as do losses from unrecovered customer purchase transaction overdrafts and fraud. Costs associated with professional services, depreciation and amortization of our property and equipment, and rent and utilities vary based upon our investment in infrastructure, risk management and internal controls and are generally not correlated with our operating revenues or other transaction metrics.

Income Tax Expense

Our income tax expense consists of the federal and state corporate income taxes accrued on income resulting from the sale of our products and services. Since the majority of our operations are based in California, most of our state taxes are paid to that state.

Comparison of Three Months Ended March 31, 2009 and 2010

Operating Revenues

The following table presents a breakdown of our operating revenues among card, cash transfer and interchange revenues:

	Three Months Ended March 31,			
	2009		**2010**	
	Amount	**Percentage of Total**	**Amount**	**Percentage of Total**

		Operating Revenues		Operating Revenues
	(Dollars in thousands)			
Operating revenues:				
Card revenues	$ 31,185	51.3%	$ 42,158	45.4%
Cash transfer revenues	15,744	25.9	22,782	24.6
Interchange revenues	13,811	22.7	27,879	30.0
Total operating revenues	$ 60,740	100.0%	$ 92,819	100.0%

Card Revenues. Our card revenues totaled $42.2 million in the three months ended March 31, 2010, an increase of $11.0 million, or 35%, from the comparable period in 2009. This increase was primarily due to period-over-period growth of 108% in the number of GPR cards activated and 93% in the number of active cards in our portfolio. This growth was driven by seasonality, large numbers of taxpayers electing to receive their tax refunds via direct deposit on our cards and their increasing activity as a result, substantial television advertising in the more recent comparison period and the February 2009 reduction in the new card fee for the Walmart MoneyCard and the July 2009 reduction in the new card fee for Green Dot-branded cards. The growth in card activations and active cards was largely offset by the new card fee reductions and a reduction in the monthly maintenance fee for the Walmart MoneyCard. These fee reductions also contributed to the decline in card revenues as a percentage of total operating revenues. We expect our card revenues will continue to increase in absolute dollars from year to year as the number of our cards grows, but we do not expect them to shift significantly as a percentage of our total operating revenues from the percentage for the three months ended March 31, 2010.

Cash Transfer Revenues. Our cash transfer revenues totaled $22.8 million in the three months ended March 31, 2010, an increase of $7.0 million, or 45%, from the comparable period in 2009. This increase was primarily due to period-over-period growth of 69% in the number of cash transfers sold, partially offset by a shift in our retail distributor mix toward Walmart, which generally has lower fees than our other retail distributors and significantly reduced the POS swipe reload fee in February 2009. We expect our cash transfer revenues will continue to increase in absolute dollars because of the recent increase in the number of GPR cards activated and the addition of PayPal as a network acceptance member, and we expect them to increase slightly as a percentage of total operating revenues from the percentage for the three months ended March 31, 2010.

Interchange Revenues. Our interchange revenues totaled $27.9 million in the three months ended March 31, 2010, an increase of $14.1 million, or 102%, from the comparable period in 2009. This increase was primarily due to period-over-period growth of 93% in the number of active cards in our portfolio, driven by the factors discussed above under Card Revenues. We expect our interchange revenues will continue to increase in absolute dollars from year to year. However, we expect these revenues to decline slightly as a percentage of our total operating revenues from the percentage for the three months ended March 31, 2010 because gross dollar volume loaded to our cards during this period was significantly higher as a result of many taxpayers electing to receive their tax refunds via direct deposit on our cards.

Future Contra-Revenue. In May 2010, we entered into an amended prepaid card agreement with Walmart, our largest retail distributor. As an incentive for entering into this agreement, we issued Walmart 2,208,552 shares of our Class A common stock. These shares are subject to our right to repurchase them at $0.01 per share upon termination of our agreement with Walmart other than a termination arising out of our knowing, intentional and material breach of the agreement. Our right to repurchase the shares lapses with respect to 36,810 shares per month over the 60-month term of the agreement. We will recognize each month over this 60-month term the fair value of the 36,810 shares for which our right to repurchase has lapsed using the then-current fair market value of our Class A common stock (and we would be required to recognize the fair value of all shares still subject to repurchase if there were an early expiration of our right to repurchase). We will record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. The impact may result in significant fluctuations in our monthly operating revenues, net income and net income per share. In addition, it is possible that, in the future, the warrant to purchase Class B common stock described under Description of Capital Stock Warrants below will vest and become exercisable upon the achievement of certain performance goals by PayPal. If this warrant vests, we will need to determine its value on the vesting date using the Black Scholes model and will record that value as additional contra-revenue.

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Three Months Ended March 31,			
	2009		2010	
	Amount	Percentage of Total Operating Revenues	Amount	Percentage of Total Operating Revenues
	(Dollars in thousands)			
Operating expenses:				
Sales and marketing expenses	$ 20,016	33.0%	$ 26,039	28.1%
Compensation and benefits expenses	9,410	15.5	16,260	17.5
Processing expenses	7,700	12.7	14,680	15.8
Other general and administrative expenses	5,206	8.6	11,755	12.7
Total operating expenses	$ 42,332	69.8%	$ 68,734	74.1%

Sales and Marketing Expenses. Our sales and marketing expenses were $26.0 million in the three months ended March 31, 2010, an increase of $6.0 million, or 30%, from the comparable period in 2009. This increase was primarily the result of a $3.3 million increase in advertising and marketing expenses. During the 2009 comparison period, we did no television advertising and deployed fewer new in-store displays. The increase in sales and marketing expenses was also the result of a $1.9 million increase in our manufacturing and distribution costs due to increased numbers of GPR cards and MoneyPaks sold and a $0.8 million, or 6%, increase in the sales commissions we paid to our retail distributors and brokers, also due to increased numbers of GPR cards and MoneyPaks sold, partially offset by reductions in the commission percentages we paid to our retail distributors, most significantly Walmart. We expect our sales and marketing expenses as a percentage of our total operating revenues to increase significantly in the year ending December 31, 2010 from the percentage in the three months ended March 31, 2010 as the contractual sales commission percentages that we are obligated to pay to Walmart increased substantially in May 2010 as a result of the May 2010 amendment to our agreement with them.

Compensation and Benefits Expenses. Our compensation and benefits expenses were $16.3 million in the three months ended March 31, 2010, an increase of $6.9 million, or 73%, from the comparable period in 2009. This increase was primarily the result of a $3.6 million increase in employee compensation and benefits, which included a $1.3 million increase in stock-based compensation. The increase in compensation and benefits expenses was also the result of a $3.2 million increase in third-party contractor expenses as the number of active cards in our portfolio and associated call volumes grew from the three months ended March 31, 2009 to the three months ended March 31, 2010. We expect our compensation and benefits expenses to increase as we continue to add personnel and incur additional third-party contractor expenses to support expanding operations and as we assume the reporting requirements and compliance obligations of a public company but, except for any major fluctuations in stock-based compensation, to remain relatively consistent with the percentage of total operating revenues that they represented in the three months ended March 31, 2010.

Processing Expenses. Our processing expenses were $14.7 million in the three months ended March 31, 2010, an increase of $7.0 million, or 91%, from the comparable period in 2009. This increase was primarily the result of period-over-period growth of 93% in the number of active cards in our portfolio. We expect our processing expenses to increase in absolute dollars as our operating revenues increase but to remain relatively consistent with the percentage of total operating revenues that they represented in the three months ended March 31, 2010.

Other General and Administrative Expenses. Our other general and administrative expenses were $11.8 million in the three months ended March 31, 2010, an increase of $6.5 million, or 126%, from the comparable period in 2009. This increase was primarily the result of a $4.1 million increase in professional service fees, $2.7 million of which resulted from a write-off of our deferred offering expenses as we do not consider it probable that we will receive sufficient proceeds from the sale of our Class A common stock to offset these expenses and $1.4 million of which represented an increase in professional services because of our potential bank acquisition and other corporate development initiatives. The increase in the general and administrative expenses was also the result of a $1.0 million increase in telephone and communication expenses resulting from increased use of our call center and our interactive voice response system, or IVR, as the number of active cards in our portfolio increased. Additionally, the three months ended March 31, 2009 included the reversal of a $0.5 million reserve that was accrued in fiscal 2008 for a potential litigation settlement. We expect other general and administrative expenses to increase in absolute dollars as we incur additional costs related to the growth of our business and as we assume the reporting requirements and compliance obligations of a public company. However, we expect these expenses to decline as a percentage of our total operating revenues from the percentage in the three months ended March 31, 2010 because of the deferred offering expense write-off in that period and a significant decrease in professional fees following the completion during this summer of this offering and our bank acquisition and as we benefit from past significant investments that we have made and from the potential acquisition of a bank.

Income Tax Expense

The following table presents a breakdown of our effective tax rate among federal, state and other:

	Three Months Ended March 31,	
	2009	**2010**
U.S. federal income tax	35.0%	35.0%
State income taxes, net of federal benefit	6.1	6.0
Offering costs		4.5
Other	0.9	1.4
Income tax expense	42.0%	46.9%

Our income tax expense increased by $3.6 million to $11.3 million in the three months ended March 31, 2010 from the comparable period in 2009, and there was a 4.9 percentage point increase in the effective tax rate primarily due to the non-deductibility of our offering costs recognized in the three months ended March 31, 2010. Excluding the impact of these non-deductible costs, our effective tax rate would have been 42.3%. Our effective tax rate in 2010 will decline several percentage points from this 42.3% level as a result of the approval of our petition to use an alternative apportionment method by the California Franchise Tax Board in May 2010. Under this alternative apportionment method, we apportion less income to the State of California, resulting in a lower effective state tax rate. The petition expires on July 31, 2011, however, we expect to continue to benefit from the lower effective state tax rate in subsequent years as certain enacted tax law changes, which conform to the petition, become effective January 1, 2011.

Comparison of Five Months Ended December 31, 2008 and 2009

Operating Revenues

The following table presents a breakdown of our operating revenues among card, cash transfer and interchange revenues:

	Five Months Ended December 31,			
	2008		2009	
	Amount	Percentage of Total Operating Revenues	Amount	Percentage of Total Operating Revenues
	(Dollars in thousands)			
Operating revenues:				
Card revenues	$ 46,460	52.2%	$ 50,895	45.1%
Cash transfer revenues	24,391	27.4	30,509	27.1
Interchange revenues	18,212	20.4	31,353	27.8
Total operating revenues	$ 89,063	100.0%	$ 112,757	100.0%

Card Revenues. Our card revenues totaled $50.9 million in the five months ended December 31, 2009, an increase of $4.4 million, or 10%, from the comparable period in 2008. This increase was primarily due to period-over-period growth of 116% in the number of GPR cards activated and 92% in the number of active cards in our portfolio, largely offset by the February 2009 reduction in new card and monthly maintenance fees for the Walmart MoneyCard and the July 2009 reduction in the new card fee for Green Dot-branded cards. These fee reductions also contributed to the decline in card revenues as a percentage of total operating revenues.

Cash Transfer Revenues. Our cash transfer revenues totaled $30.5 million in the five months ended December 31, 2009, an increase of $6.1 million, or 25%, from the comparable period in 2008. This increase was primarily due to period-over-period growth of 64% in the number of cash transfers sold, partially offset by a shift in our retail distributor mix toward Walmart, which generally has lower fees than our other retail distributors and significantly reduced the POS swipe reload fee in February 2009.

Interchange Revenues. Our interchange revenues totaled $31.4 million in the five months ended December 31, 2009, an increase of $13.1 million, or 72%, from the comparable period in 2008. This increase was primarily due to period-over-period growth of 92% in the number of active cards in our portfolio.

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Five Months Ended December 31,	
	2008	2009

	Amount	Percentage of Total Operating Revenues	Amount	Percentage of Total Operating Revenues
	(Dollars in thousands)			
Operating expenses:				
Sales and marketing expenses	$ 35,001	39.3%	$ 31,333	27.8%
Compensation and benefits expenses	15,409	17.3	26,610	23.6
Processing expenses	11,765	13.2	17,480	15.5
Other general and administrative expenses	9,463	10.6	14,020	12.4
Total operating expenses	$ 71,638	80.4%	$ 89,443	79.3%

Sales and Marketing Expenses. Our sales and marketing expenses were $31.3 million in the five months ended December 31, 2009, a decrease of $3.7 million, or 10%, from the comparable period in 2008. This decrease was primarily the result of a $4.3 million decline in advertising and marketing expenses. During the 2009 comparison period, we did no television advertising and deployed fewer new in-store displays. The decrease in sales and marketing expenses was also the result of a $2.7 million, or 12%, decline in the sales commissions we paid to our retail distributors and brokers because of reductions in the commission percentages we paid to our retail distributors, most significantly Walmart. These declines were partially offset by a $3.3 million increase in our manufacturing and distribution costs due to increased numbers of GPR cards and MoneyPaks sold.

Compensation and Benefits Expenses. Our compensation and benefits expenses were $26.6 million in the five months ended December 31, 2009, an increase of $11.2 million, or 73%, from the comparable period in 2008. This increase was primarily the result of a $7.1 million increase in employee compensation and benefits, which included a $5.8 million increase in stock-based compensation. In December 2009, our board of directors awarded 257,984 shares of common stock to our Chief Executive Officer to compensate him for past services rendered to our company. The number of shares awarded was equal to the number of shares subject to fully vested options that unintentionally expired unexercised in June 2009. The aggregate grant date fair value of this award was approximately $5.2 million, based on an estimated fair value of our common stock of $20.01, as determined by our board of directors on the date of the award. We recorded the aggregate grant date fair value as stock-based compensation on the date of the award. The increase in compensation and benefits expenses was also the result of a $4.1 million increase in third-party contractor expenses as the number of active cards in our portfolio and associated call volumes grew from the five months ended December 31, 2008 to the five months ended December 31, 2009.

Processing Expenses. Our processing expenses were $17.5 million in the five months ended December 31, 2009, an increase of $5.7 million, or 49%, from the comparable period in 2008. This increase was primarily the result of period-over-period growth of 92% in the number of active cards in our portfolio, partially offset by lower fees charged to us under agreements with one of the banks that issue our cards and our third-party card processor that became effective in November 2008 and by more efficient use of our card processor through the purging of inactive accounts and more effective use of analysis and reporting tools.

Other General and Administrative Expenses. Our other general and administrative expenses were $14.0 million in the five months ended December 31, 2009, an increase of $4.6 million, or 48%, from the comparable period in 2008. This increase was primarily the result of a $2.6 million increase in professional service fees due to our potential bank acquisition and other corporate development initiatives and a $1.2 million increase in telephone and communication expenses due to increased use of our call center and our interactive voice response system, or IVR, as the number of active cards in our portfolio increased.

Income Tax Expense

The following table presents a breakdown of our effective tax rate among federal, state and other:

	Five Months Ended December 31,	
	2008	**2009**
U.S. federal income tax	35.0%	35.0%
State income taxes, net of federal benefit	5.9	6.7
Other	1.1	

Income tax expense	42.0%	41.7%

Our income tax expense increased by $2.3 million to $9.8 million in the five months ended December 31, 2009 from the comparable period in 2008, and there was a slight decline in the effective tax rate.

Comparison of Fiscal 2008 and 2009

Operating Revenues

The following table presents a breakdown of our operating revenues among card, cash transfer and interchange revenues:

	Year Ended July 31,			
	2008		2009	
	Amount	Percentage of Total Operating Revenues	Amount	Percentage of Total Operating Revenues
	(Dollars in thousands)			
Operating revenues:				
Card revenues	$ 91,233	54.3%	$ 119,356	50.8%
Cash transfer revenues	45,310	26.9	62,396	26.6
Interchange revenues	31,583	18.8	53,064	22.6
Total operating revenues	$ 168,126	100.0%	$ 234,816	100.0%

Card Revenues. Our card revenues totaled $119.4 million in fiscal 2009, an increase of $28.1 million, or 31%, from fiscal 2008. This increase was primarily due to year-over-year growth of 43% in the number of GPR cards activated and 62% in the number of active cards in our portfolio, partially offset by the February 2009 reduction in new card and monthly maintenance fees for the Walmart MoneyCard. This reduction in fees also contributed to the decline in card revenues as a percentage of total operating revenues.

Cash Transfer Revenues. Our cash transfer revenues totaled $62.4 million in fiscal 2009, an increase of $17.1 million, or 38%, from fiscal 2008. This increase was primarily due to year-over-year growth of 54% in the number of cash transfers, partially offset by a shift in our retail distributor mix toward Walmart, which generally has lower fees than our other retail distributors and significantly reduced the POS swipe reload fee in February 2009.

Interchange Revenues. Our interchange revenues totaled $53.1 million in fiscal 2009, an increase of $21.5 million, or 68%, from fiscal 2008. This increase was primarily due to year-over-year growth of 62% in the number of active cards in our portfolio.

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Year Ended July 31,			
	2008		2009	
		Percentage of Total		Percentage of Total

	Amount	Operating Revenues	Amount	Operating Revenues
		(Dollars in thousands)		
Operating expenses:				
Sales and marketing expenses	$ 69,577	41.4%	$ 75,786	32.3%
Compensation and benefits expenses	28,303	16.8	40,096	17.1
Processing expenses	21,944	13.0	32,320	13.7
Other general and administrative expenses	19,124	11.4	22,944	9.8
Total operating expenses	$ 138,948	82.6%	$ 171,146	72.9%

Sales and Marketing Expenses. Our sales and marketing expenses were $75.8 million in fiscal 2009, an increase of $6.2 million, or 9%, from fiscal 2008. This increase was primarily the result of a $10.1 million, or 25%, increase in the sales commissions we paid to our retail distributors and brokers.

Aggregate commissions increased because of increased sales, but the impact of these increased sales was offset in part by a reduction in pricing and commission rates at Walmart. The increase in sales and marketing expenses was also the result of a $2.7 million increase in our manufacturing and distribution costs due to the re-launch of our Green Dot-branded products and increased numbers of GPR cards and MoneyPaks sold. These sales and marketing expense increases were partially offset by a $6.6 million decline in advertising and marketing expenses, principally as a result of our decision not to use television advertising during fiscal 2009.

Compensation and Benefits Expenses. Our compensation and benefits expenses were $40.1 million in fiscal 2009, an increase of $11.8 million, or 42%, from fiscal 2008. This increase was primarily the result of a $9.0 million increase in employee compensation and benefits, including a $1.2 million increase in stock-based compensation, as our headcount grew from 209 at the end of fiscal 2008 to 248 at the end of fiscal 2009 and we hired several new members of management. Third-party contractor expenses also increased by $2.8 million as the number of active cards in our portfolio and associated call volumes grew from fiscal 2008 to fiscal 2009.

Processing Expenses. Our processing expenses were $32.3 million in fiscal 2009, an increase of $10.4 million, or 47%, from fiscal 2008. This increase was primarily the result of year-over-year growth of 62% in the number of active cards in our portfolio. This growth was partially offset by lower fees charged to us under agreements with one of the banks that issue our cards and with our third-party card processor that became effective in November 2008 and by more efficient use of that card processor.

Other General and Administrative Expenses. Our other general and administrative expenses were $22.9 million in fiscal 2009, an increase of $3.8 million, or 20%, from fiscal 2008. This increase was primarily the result of a $1.6 million increase in telephone and communication expenses due to increased call volumes as the number of active cards in our portfolio increased and a $1.4 million increase in professional service fees primarily associated with corporate development initiatives. We also had increases of $0.4 million in rent due to additional office space that we leased to support our increased headcount and $0.4 million related to the write-off of abandoned internal-use software. These increases were partially offset by the reversal of a $0.5 million reserve that was accrued in fiscal 2008 for a potential litigation settlement.

Income Tax Expense

The following table presents a breakdown of our effective tax rate among federal, state and other:

	Year Ended July 31,	
	2008	**2009**
U.S. federal income tax	35.0%	35.0%
State income taxes, net of federal benefit	5.7	6.1
Other	0.7	0.9
Income tax expense	41.4%	42.0%

Our income tax expense increased by $14.6 million from fiscal 2008 to $26.9 million in fiscal 2009, an effective tax rate increase of 0.6 percentage points from 41.4% to 42.0%. This increase was primarily due to the utilization in fiscal 2008 of our remaining net operating loss carryforwards to reduce taxable income.

Comparison of Fiscal 2007 and 2008

Operating Revenues

The following table presents a breakdown of our operating revenues among card, cash transfer and interchange revenues:

	Year Ended July 31,			
	2007		2008	
	Amount	Percentage of Total Operating Revenues	Amount	Percentage of Total Operating Revenues
	(Dollars in thousands)			
Operating revenues:				
Card revenues	$ 45,717	54.7%	$ 91,233	54.3%
Cash transfer revenues	25,419	30.4	45,310	26.9
Interchange revenues	12,488	14.9	31,583	18.8
Total operating revenues	$ 83,624	100.0%	$ 168,126	100.0%

Card Revenues. Our card revenues totaled $91.2 million in fiscal 2008, an increase of $45.5 million, or 100%, from fiscal 2007. This increase was primarily due to year-over-year growth of 142% in the number of GPR cards activated and 103% in the number of active cards in our portfolio.

Cash Transfer Revenues. Our cash transfer revenues totaled $45.3 million in fiscal 2008, an increase of $19.9 million, or 78%, from fiscal 2007. This increase was primarily due to year-over-year growth of 83% in the number of cash transfers.

Interchange Revenues. Our interchange revenues totaled $31.6 million in fiscal 2008, an increase of $19.1 million, or 153%, from fiscal 2007. This increase was primarily due to year-over-year growth of 103% in the number of active cards in our portfolio.

Operating Expenses

The following table presents a breakdown of our operating expenses among sales and marketing, compensation and benefits, processing, and other general and administrative expenses:

	Year Ended July 31,			
	2007		2008	
	Amount	Percentage of Total Operating Revenues	Amount	Percentage of Total Operating Revenues
	(Dollars in thousands)			

Operating expenses:				
Sales and marketing expenses	$ 38,838	46.5%	$ 69,577	41.4%
Compensation and benefits expenses	20,610	24.6	28,303	16.8
Processing expenses	9,809	11.7	21,944	13.0
Other general and administrative expenses	13,212	15.8	19,124	11.4
Total operating expenses	$ 82,469	98.6%	$ 138,948	82.6%

Sales and Marketing Expenses. Our sales and marketing expenses were $69.6 million in fiscal 2008, an increase of $30.7 million, or 79%, from fiscal 2007. This increase was primarily the result of a $14.5 million, or 55%, increase in the sales commissions we paid to our retail distributors and brokers and a $9.8 million increase in our manufacturing and distribution costs. Sales commissions and manufacturing and distribution costs increased principally due to increased sales of GPR cards and cash loading services. Advertising and marketing expenses also increased by $6.4 million from fiscal 2007 to fiscal 2008 as a result of significant television advertising in fiscal 2008.

Compensation and Benefits Expenses. Our compensation and benefits expenses were $28.3 million in fiscal 2008, an increase of $7.7 million, or 37%, from fiscal 2007. This increase was primarily the result of a $4.3 million increase in employee compensation and benefits, including a $1.1 million increase in stock-based compensation, as our headcount increased from 167 at the end of fiscal 2007 to 209 at the end of fiscal 2008. Third-party contractor expenses also increased by $3.3 million from fiscal 2007 to fiscal 2008 as the number of active cards in our portfolio and associated call volumes grew from fiscal 2007 to fiscal 2008.

Processing Expenses. Our processing expenses were $21.9 million in fiscal 2008, an increase of $12.1 million, or 124%, from fiscal 2007. This increase was primarily the result of year-over-year growth of 103% in the number of active cards in our portfolio.

Other General and Administrative Expenses. Our other general and administrative expenses were $19.1 million in fiscal 2008, an increase of $5.9 million, or 45%, from fiscal 2007. This increase was primarily the result of a $1.6 million increase in professional services fees related, among other things, to an uncompleted financing transaction, a $1.1 million increase in telephone and communications expenses primarily related to growth in call center volumes and a $1.1 million increase in losses from fraud and purchase transaction overdrafts. Call center volumes and losses from fraud and purchase transaction overdrafts increased as the number of active cards in our portfolio increased. Additionally, depreciation and amortization of property and equipment increased by $0.9 million due to expansion of our infrastructure to support our growth. We also accrued $0.5 million for a potential litigation settlement, and we had a $0.3 million increase in repair and maintenance expenses.

Income Tax (Benefit) Expense

The following table presents a breakdown of our effective tax rate among federal, state and other:

	Year Ended July 31,	
	2007	**2008**
U.S. federal income tax	35.0%	35.0%
State income taxes, net of federal benefit	6.1	5.7
Change in valuation allowance	(288.9)	
Other	(9.4)	0.7
Income tax (benefit) expense	(257.2)%	41.4%

Our income tax expense increased by $15.6 million from a $3.3 million income tax benefit in fiscal 2007 to a $12.3 million income tax expense in fiscal 2008, and there was a 298.6 percentage point increase in the effective rate. These increases were primarily due a reduction of $3.8 million in the valuation allowance associated with our deferred tax asset, which we recognized in fiscal 2007.

Quarterly Results of Operations

The following tables set forth unaudited consolidated statement of operations data for the three months ended December 31, 2008, the four quarters of calendar year 2009 and the three months ended March 31, 2010, as well as the percentage of our total operating revenues that each line item represented. We have prepared our consolidated statements of operations for each of these quarters on the same basis as the audited consolidated financial statements included elsewhere in this prospectus, except for certain consolidated statements of operations items related to income allocated to common stockholders and earnings per common share and, in the opinion of our management, each statement of operations includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This information should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period.

	For the Three Months Ended					
	Dec. 31, 2008	**March 31, 2009**	**June 30, 2009**	**Sep. 30, 2009**	**Dec. 31, 2009**	**March 31, 2010**
	(In thousands)					
Operating revenues:						
Card revenues	$ 28,450	$ 31,185	$ 30,977	$ 30,849	$ 30,779	$ 42,158
Cash transfer revenues	14,997	15,744	16,383	17,256	19,132	22,782
Interchange revenues	11,340	13,811	15,530	17,213	19,651	27,879
Total operating revenues	54,787	60,740	62,890	65,318	69,562	92,819
Operating expenses:						
Sales and marketing expenses	20,509	20,016	15,232	17,182	19,689	26,039
Compensation and benefits expenses	9,415	9,410	10,751	12,666	18,470	16,260
Processing expenses	6,895	7,700	9,441	9,951	10,943	14,680
Other general and administrative expenses	5,772	5,206	5,928	7,587	8,779	11,755
Total operating expenses	42,591	42,332	41,352	47,386	57,881	68,734
Operating income	12,196	18,408	21,538	17,932	11,681	24,085
Interest income	80	47	68	64	77	72
Interest expense	(1)			(3)		(23)
Income before income taxes	12,275	18,455	21,606	17,993	11,758	24,134
Income tax expense	5,155	7,749	9,073	7,522	4,903	11,319
Net income	$ 7,120	$ 10,706	$ 12,533	$ 10,471	$ 6,855	$ 12,815

	As a Percentage of Total Operating Revenues					
	Dec. 31, 2008	March 31, 2009	June 30, 2009	Sep. 30, 2009	Dec. 31, 2009	March 31, 2010
Operating revenues:						
Card revenues	51.9%	51.4%	49.2%	47.2%	44.3%	45.4%
Cash transfer revenues	27.4	25.9	26.1	26.4	27.5	24.6
Interchange revenues	20.7	22.7	24.7	26.4	28.2	30.0
Total operating revenues	100.0	100.0	100.0	100.0	100.0	100.0
Operating expenses:						
Sales and marketing expenses	37.4	33.0	24.2	26.3	28.3	28.1
Compensation and benefits expenses	17.2	15.5	17.1	19.4	26.6	17.5
Processing expenses	12.6	12.7	15.0	15.2	15.7	15.8
Other general and administrative expenses	10.5	8.5	9.5	11.6	12.6	12.7
Total operating expenses	77.7	69.7	65.8	72.5	83.2	74.1
Operating income	22.3	30.3	34.2	27.5	16.8	25.9
Interest income	0.1	0.1	0.1	0.1	0.1	0.1
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	22.4	30.4	34.3	27.6	16.9	26.0
Income tax expense	9.4	12.8	14.4	11.5	7.0	12.2
Net income	13.0%	17.6%	19.9%	16.1%	9.9%	13.8%

Our total operating revenues have increased sequentially in each of the quarters presented due primarily to a combination of increased numbers of cash transfers sold and growth in our portfolio of active cards. Our numbers of sales and active cards have increased as we have sold our products in a growing number of retail locations and increased same-store sales. Cash transfer revenues and interchange revenues have increased sequentially in each of the quarters presented because of steady growth in the number of cash transfers, network acceptance members and active cards in our portfolio. However, because of the unusually strong seasonal revenue growth in the three months ended March 31, 2010, particularly in interchange revenues, these revenue categories, particularly interchange revenues, could remain at a level below the three months ended March 31, 2010 for the next three quarters.

Over the periods presented, we have experienced fluctuations in the growth rate of our card revenues, from a 9.6% increase between the quarters ended December 31, 2008 and March 31, 2009 to slight declines in each of the quarters ended June 30, September 30 and December 31, 2009 and a 37.0% increase between the quarters ended December 31, 2009 and March 31, 2010. The increases in our card revenues in the March quarters were due primarily to growth in the number of GPR cards activated and in the most recent quarter also to higher maintenance fees and ATM fees, as large numbers of taxpayers elected to receive their refunds via direct deposit on our cards and as we resumed substantial television advertising. The declines in our card revenues in the other quarters were due primarily to the mid-February 2009 reduction in the new card fee and monthly maintenance fees for the Walmart MoneyCard and the July 2009 reduction in the new card fee for our Green Dot-branded GPR cards, substantially offset by the growth in sales of those cards, and the payment to certain retail distributors in the quarter ended December 31, 2009 of sales incentives that were recorded as an offset to the related card revenues. Monthly maintenance fees and ATM fees, currently the other large components of card revenues besides new card fees, have generally increased sequentially in each of the quarters presented, while the remaining component of card revenues other revenues has generally declined.

We typically experience seasonal growth in total operating revenues during the holiday period and during tax season due to increased sales of cards, increased reloads and increased card usage. Because of the particularly strong seasonal growth in all of our categories of revenues in the three months ended March 31, 2010, the additional revenues we derived from resuming television advertising in that period and the contra-revenue item resulting from the Walmart equity issuance that will reduce our operating revenues beginning in the three months ended June 30, 2010, we do not expect our quarterly total operating revenues to exceed those in the three months ended March 31, 2010 until the comparable quarter of 2011.

Our total operating expenses have generally increased sequentially in each of the quarters presented. The decline in total operating expenses and sales and marketing expenses between the quarter ended December 31, 2008 and the quarters ended March 31 and June 30, 2009 was due primarily to lower sales commission percentages coinciding with the mid-February 2009 reduction in the new card fee and monthly maintenance fees for the Walmart MoneyCard. We continued to benefit from these lower commission percentages in the quarter ended September 30, 2009 and thereafter, but sales and marketing expenses increased after the June quarter as a result of new revenue-sharing arrangements with two of our largest retail distributors, increased packaging costs associated with the relaunch of our Green Dot-branded card and an increase in advertising and marketing expenses in the three months ended March 31, 2010 as we resumed television advertising after more than one year. Sales and marketing expenses significantly increased again in May 2010 when the contractual sales commission percentages that we are obligated to pay Walmart increased substantially as a result of the May 2010 amendment to our agreement with them and now are higher than they were before the mid-February 2009 reduction.

Compensation and benefits expenses have generally increased sequentially in each of the quarters presented due to increases in employee compensation and benefits and third-party contractor expenses. We added personnel and incurred additional third-party contractor expenses to support expanding operations and to meet the reporting requirements and compliance obligations of a public company. Compensation and benefits expenses increased 45.8% between the quarters ended September 30 and December 31, 2009 and declined the following quarter primarily because our board of directors awarded 257,984 shares of common stock to our Chief Executive Officer in December 2009 to compensate him for past services rendered to our company. The aggregate grant date fair value of this award was approximately $5.2 million, based on an estimated fair value of our common stock of $20.01, as determined by our board of directors on the date of the award, which we recorded as stock-based compensation on the date of the award.

The trend in processing expenses generally correlates closely with the trend in our interchange revenues. Processing expenses have increased sequentially in each of the quarters presented because of steady growth in the number of active cards in our portfolio. The increase in processing expenses between the quarters ended December 31, 2009 and March 31, 2010 was due primarily to many taxpayers electing to receive their refunds via direct deposit on our cards, which increased purchase volume significantly.

Other general and administrative expenses have increased sequentially in each of the last four quarters presented, primarily because of an increase in professional services fees because of our potential bank acquisition and other corporate development initiatives and an increase in telephone and communication expenses due to increased use of our call center and IVR as the number of active cards in our portfolio increased. The increase in other general and administrative expenses in the three months ended March 31, 2010 was also due to a $2.7 million write-off of our deferred offering expenses as we do not expect to receive sufficient proceeds from the sale of our Class A common stock to offset those expenses. Other general and administrative expenses declined from the quarter ended December 31, 2008 to the quarter ended March 31, 2009 because we reversed a $500,000 legal reserve in the latter quarter as a result of a favorable judgment during that period. We expect other general and administrative expenses to decline for one or more quarters following the conclusion

of this offering and the consummation of our bank acquisition as there will be a significant decline in professional fees related to those corporate transactions.

Our effective tax rate in 2010 will decline several percentage points from its level of approximately 42.0% in 2009 as a result of the approval of our petition to use an alternative apportionment method by the California Franchise Tax Board in May 2010. Under this alternative apportionment method, we apportion less income before income taxes to the State of California, resulting in a lower effective state tax rate. Although our petition expires on July 31, 2011, we expect to continue to benefit from the lower effective state tax rate in subsequent years as certain enacted tax law changes, which conform to our petition, become effective January 1, 2011. In addition, since our petition is retroactive to August 1, 2008, we will experience an additional tax benefit that will further reduce our effective tax rate in the three months ended June 30, 2010.

Liquidity and Capital Resources

The following table sets forth the major sources and uses of cash for our last three fiscal years ended July 31, the five months ended December 31, 2009 and the three months ended March 31, 2010:

	Year Ended July 31,			Five Months Ended December 31,	Three Months Ended March 31,
	2007	2008	2009	2009	2010
			(In thousands)		
Net cash provided by (used in) operating activities	$ 2,461	$ 35,006	$ 35,297	$ 26,121	$ 33,461
Net cash provided by (used in) investing activities	(4,558)	(5,163)	(19,400)	(5,063)	7,069
Net cash provided by (used in) financing activities	158	(3,264)	(28,618)	8,681	300
Net (decrease) increase in unrestricted cash and cash equivalents	$ (1,939)	$ 26,579	$ (12,721)	$ 29,739	$ 40,830

In fiscal 2007, 2008 and 2009, the five months ended December 31, 2009 and the three months ended March 31, 2010, we financed our operations primarily through our cash flows from operations. At March 31, 2010, our primary source of liquidity was unrestricted cash and cash equivalents totaling $97.1 million.

We use trend and variance analyses to project future cash needs, making adjustments to the projections when needed. We believe that our current unrestricted cash and cash equivalents and cash flows from operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months. Thereafter, we may need to raise additional funds through public or private financings or borrowings. Any additional financing we require may not be available on terms that are favorable to us, or at all. If we raise additional funds through the issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock, including shares of our Class A common stock sold in this offering. No assurance can be given that additional financing will be available or that, if available, such financing can be obtained on terms favorable to our stockholders and us.

Cash Flows From Operating Activities

Our $33.5 million of net cash provided by operating activities in the three months ended March 31, 2010 resulted from $12.8 million of net income, the adjustment for non-cash operating expenses of $12.5 million (including $9.1 million for the provision for uncollectible overdrawn accounts, $1.8 million of stock-based compensation and $1.6 million for depreciation and amortization), a $10.1 million increase in income taxes payable, a $4.9 million increase in amounts due to card issuing banks for overdrawn accounts, a $2.1 million decrease in deferred expenses, a $1.1 million decrease in prepaid expenses and other assets and a $1.1 million increase in accounts payable and accrued liabilities. This increase was partially offset by a $9.4 million increase in accounts receivable and a $1.7 million decrease in deferred revenue.

Our $26.1 million of net cash provided by operating activities in the five months ended December 31, 2009 resulted from $13.7 million of net income, the adjustment for non-cash operating expenses of $22.1 million (including $11.2 million for the provision for uncollectible overdrawn accounts, $6.8 million of stock-based compensation, $3.5 million of deferred income tax expense and $2.3 million for depreciation and amortization, offset by $1.9 million of excess tax benefits from the exercise of stock options), an increase of $8.1 million in accounts payable and accrued liabilities, an increase of $7.6 million in deferred revenue and an increase of $5.2 million in amounts due to card issuing banks for overdrawn accounts. These increases were partially offset by a $20.2 million increase in accounts receivable, a $5.5 million increase in deferred expenses and a $3.8 million decrease in income taxes payable. The increase in our accounts receivable balance was primarily related to the increase in the number of our GPR cards outstanding that are not active cards but on which we charge a monthly maintenance fee. This increase was partially offset by a $11.2 million provision for uncollectible overdrawn accounts that increased the reserve held against the accounts receivable balance.

Our $35.3 million of net cash provided by operating activities in fiscal 2009 resulted from $37.2 million of net income, the adjustment for non-cash operating expenses of $28.3 million (including $22.5 million for the provision for uncollectible overdrawn accounts, $4.6 million for depreciation and amortization and $2.5 million for stock-based compensation, partially offset by a $1.7 million deferred income tax expense), a $3.2 million increase in accounts payable and accrued liabilities, a $2.3 million decrease in deferred expenses and a $1.4 million increase in income taxes payable. These were offset by a $29.9 million increase in accounts receivable and a $5.3 million decrease in the amounts due to card issuing banks for overdrawn accounts. Although increases in accounts receivable are generally partially offset by increases in amounts due to issuing banks for overdrawn accounts, during fiscal 2009, we amended our agreement with one of the banks that issue our cards, expediting the settlement timing of amounts due to them for overdrawn card accounts.

Our $35.0 million of net cash provided by operating activities in fiscal 2008 resulted from $17.3 million of net income, the adjustment for non-cash operating expenses of $21.3 million (including $16.1 million for the provision for uncollectible overdrawn accounts, $4.4 million for depreciation and amortization and $1.2 million for stock-based compensation, offset by $0.5 million of excess tax benefits from the exercise of stock options), a $10.8 million increase in the amounts due to card issuing banks for overdrawn accounts, a $4.7 million increase in accounts payable and accrued liabilities, a $4.4 million increase in deferred revenue and a $3.7 million decrease in income taxes receivable. These were partially offset by a $24.7 million increase in accounts receivable, a $2.8 million increase in deferred expenses and a $2.3 million increase in prepaid expenses and other assets.

Our $2.5 million of net cash provided by operating activities in fiscal 2007 resulted from $4.6 million of net income, the adjustment for non-cash operating expenses of $8.8 million (including $7.9 million for the provision for uncollectible overdrawn accounts and $3.5 million for depreciation and amortization, partially offset by a $2.6 million deferred income tax benefit), a $3.9 million increase in the amounts due to card issuing banks for overdrawn accounts and a $2.6 million increase in accounts payable and

accrued liabilities. These were partially offset by an $11.0 million increase in accounts receivable, a $4.5 million decrease in income taxes payable, a $2.0 million decrease in deferred revenue.

Cash Flows From Investing Activities

Our $7.1 million of net cash provided by investing activities in the three months ended March 31, 2010 consisted of a $10.0 million decrease in restricted cash offset in part by the purchase of $2.9 million of property and equipment. Our net cash used in investing activities in the five months ended December 31, 2009 consisted almost entirely of the purchase of property and equipment of $5.1 million. Our net cash used in investing activities in fiscal 2009 consisted of a $13.0 million increase in restricted cash and the purchase of $6.4 million of property and equipment related to expanding our operations, including the development of internal-use software, which we capitalized. In fiscal 2009, we renewed our line of credit, which is used to fund timing differences between funds remitted by our retail distributors to the banks that issue our cards and funds utilized by our cardholders, and elected to increase our restricted deposits to $15.0 million at the lending institution as collateral in order to reduce the commitment fees we would incur on this line of credit. Our net cash used in investing activities in fiscal 2007 and 2008 consisted primarily of $4.3 million and $5.1 million, respectively, for the purchase of computer hardware and software and the development of internal-use software.

Cash Flows From Financing Activities

Our $300,000 of net cash provided by financing activities for the three months ended March 31, 2010 was entirely the result of proceeds from the exercise of stock options. Our $8.7 million of net cash provided by financing activities for the five months ended December 31, 2009 was the result of the repayment to us of $5.9 million of related party notes receivable and excess tax benefits and proceeds from the exercise of stock options for an aggregate of $2.8 million. Our $28.6 million of net cash used in financing activities in fiscal 2009 was primarily associated with the redemption in full of our Series D redeemable preferred stock. We entered into an agreement in December 2008 with the sole holder of these securities to pay $39.2 million for an early redemption of all outstanding shares of our Series D redeemable preferred stock and the purchase of a call option on a common stock warrant held by this stockholder. In June 2009, we exercised the call option on the warrant for $2.0 million. We also received proceeds of $13.0 million related to the issuance of our Series C-2 preferred stock in fiscal 2009. Our $3.3 million of net cash used in financing activities in fiscal 2008 resulted from net repayments on our line of credit of $2.5 million and principal payments on our short-term debt of $2.4 million, offset by excess tax benefits and proceeds from the exercise of stock options for an aggregate of $1.7 million. Our $158,000 of net cash provided by financing activities in fiscal 2007 was primarily associated with net borrowings on our line of credit of $2.5 million and proceeds of $355,000 from the exercise of options and warrants, offset by principal payments on short-term debt of $2.6 million. In fiscal 2007, we also issued Series D redeemable preferred stock and a freestanding warrant for total consideration of $20.0 million and used the proceeds to repurchase $20.0 million of common and preferred stock from our existing stockholders.

Contractual Obligations and Commitments

Our contractual commitments will have an impact on our future liquidity. The following table summarizes our contractual obligations, including both on-and off-balance sheet transactions that represent material expected or contractually committed future obligations, at December 31, 2009. We believe that we will be able to fund these obligations through cash generated from operations and from our existing cash balances.

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(In thousands)				
Long-term debt obligations	$	$	$	$	$
Capital lease obligations					
Operating lease obligations	4,507	1,780	2,691	36	
Purchase obligations(1)	41,546	21,287	20,259		
Other long-term liabilities					
Total	$ 46,053	$ 23,067	$ 22,950	$ 36	$

(1) Primarily future minimum payments under agreements with vendors and our retail distributors. See note 14 of our notes to consolidated financial statements.

Off-Balance Sheet Arrangements

During fiscal 2007, 2008 and 2009, the five months ended December 31, 2009 and the three months ended March 31, 2010, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience, current circumstances and various other assumptions that our management believes to be reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management s judgments and estimates.

Revenue Recognition

We recognize revenue when the price is fixed or determinable, persuasive evidence of an arrangement exists, the product is sold or the service is performed, and collectibility of the resulting receivable is reasonably assured.

We defer and recognize new card fee revenues on a straight-line basis over the period commensurate with our service obligation to our customers. We consider the service obligation period to be the average card lifetime. We determine the average card lifetime for each pool of homogeneous products (e.g., products that exhibit the same characteristics such as nature of service and terms and conditions) based on company-specific historical data. Currently, we determine the average card lifetime separately for our GPR cards and gift cards. For our GPR cards, we measure the card lifetime as the period of time, inclusive of reload activity, between sale (or activation) of a card and the date of the last positive balance on that card. We analyze GPR cards activated between six and forty-two months prior to each balance sheet date. We use this historical look-back period as a basis for determining our average card lifetime because it provides sufficient time for meaningful behavioral trends to develop. Currently, our GPR cards have an average card lifetime of nine months. The usage of gift cards is limited to the initial funds loaded to the card. Therefore, we measure these gift cards lifetime as the redemption period over which cardholders perform the substantial majority of their transactions. Currently, gift cards have an average lifetime of six months. Average card lifetimes may vary in the future as cardholder behavior changes relative to historical experience because customers are influenced by changes in the pricing of our services, the availability of substitute products, and other factors.

We also defer and expense commissions paid to retail distributors related to new card sales ratably over the average card lifetime, which is currently nine months for our GPR cards and six months for gift cards.

We report our different types of revenues on a gross or net basis based on our assessment of whether we act as a principal or an agent in the transaction. To the extent we act as a principal in the transaction, we report revenues on a gross basis. In concluding whether or not we act as a principal or an agent, we evaluate whether we have the substantial risks and rewards under the terms of the revenue-generating arrangements, whether we are the party responsible for fulfillment of the services purchased by the cardholders, and other factors. For all of our significant revenue-generating arrangements, including GPR and gift cards, we recognize revenues on a gross basis.

Generally, customers have limited rights to a refund of the new card fee or a cash transfer fee. We have elected to recognize revenues prior to the expiration of the refund period, but reduce revenues by the amount of expected refunds, which we estimate based on actual historical refunds.

Reserve for Uncollectible Overdrawn Accounts

Cardholder account overdrafts may arise from maintenance fee assessments on our GPR cards or from purchase transactions that we honor on GPR or gift cards, in each case in excess of the funds in the cardholder s account. We are responsible to the banks that issue our cards for any losses associated with these overdrafts. Overdrawn account balances are therefore deemed to be our receivables due from cardholders, and we include them as a component of accounts receivable, net, on our consolidated balance sheets. The banks that issue our cards fund the overdrawn account balances on our behalf. We include our obligations to them on our consolidated balance sheets as amounts due to card issuing banks for overdrawn accounts, a current liability, and we settle our obligations to them based on the terms specified in their agreements with us. These settlement terms generally require us to settle on a monthly basis or when the cardholder account is closed, depending on the card issuing bank.

We generally recover overdrawn account balances from those GPR cardholders that perform a reload transaction. In addition, we recover some purchase transaction overdrafts through enforcement of payment network rules, which allow us to recover the amounts from the merchant where the purchase transaction was conducted. However, we are exposed to losses from unrecovered GPR cardholder account overdrafts. The probability of recovering these amounts is primarily related to the number of days that have elapsed since an account had activity, such as a purchase, ATM transaction or fee assessment. Generally, we recover 60-70% of overdrawn account balances in accounts that have had activity in the last 30 days, 10-20% in accounts that have had activity in the last 30 to 60 days, and less than 10% when more than 60 days have elapsed.

We establish a reserve for uncollectible overdrawn accounts for maintenance fees we assess and purchase transactions we honor, in each case in excess of a cardholder s account balance. We classify overdrawn accounts into age groups based on the number of days since the account last had activity. We then calculate a reserve factor for each age group based on the average recovery rate for the most recent six months. These factors are applied to these age groups to estimate our overall reserve. We rely on these historical rates because they have remained relatively consistent for several

years. When more than 90 days have passed without any activity in an account, we consider recovery to be remote and write off the full amount of the overdrawn account balance.

Overdrafts due to maintenance fee assessments comprised approximately 94% of our total overdrawn account balances due from cardholders in the three months ended March 31, 2010. We charge our GPR cardholder accounts maintenance fees on a monthly basis pursuant to the terms and conditions in the applicable cardholder agreements, Although cardholder accounts become inactive or overdrawn, we continue to provide cardholders the ongoing functionality of our GPR cards, which allows them to reload and use their cards at any time. As a result, we continue to assess a maintenance fee until a cardholder account becomes overdrawn by an amount equal to two maintenance fees, currently $6.00 for the Walmart MoneyCard and $11.90 for our Green Dot-branded GPR cards. We recognize the fees ratably over the month for which they are assessed, net of the related reserve for uncollectible overdrawn accounts, as a component of card revenues in our consolidated statements of operations.

We include our reserve for uncollectible overdrawn accounts related to purchase transactions in other general and administrative expenses in our consolidated statements of operations. As the recovery rate for gift card overdrafts is based solely upon relatively unpredictable factors, such as negotiations with merchants where purchase transactions are conducted, we generally reserve these amounts in full as they occur and recognize recoveries on a cash basis.

Our recovery rates may change in the future in response to factors such as the pricing of reloads and new cards and the availability of substitute products.

Stock-Based Compensation

Effective August 1, 2006, we adopted a new accounting standard related to stock-based compensation. We adopted the new standard using the prospective transition method, which required us to recognize compensation expense on a prospective basis for stock options and stock awards granted, modified, repurchased or cancelled on or after August 1, 2006. We record compensation expense using the fair value method of accounting. For stock options, we base compensation expense on the option fair values estimated at the grant date using the Black-Scholes option-pricing model. For other stock awards, we base compensation expense on the per share fair value of the stock estimated at the grant date. We recognize compensation expense for awards with only service conditions that have graded vesting schedules on a straight-line basis over their respective vesting periods. Vesting is based upon continued service to our company.

Determining the fair value of stock options requires the use of highly subjective assumptions, including the expected term of the option award and our expected stock price volatility. Our weighted-average assumptions with respect to grants since January 1, 2009, shown by grant date in the table below, represent our best estimates, but these estimates involve inherent uncertainties and the application of judgment. If factors change and, as a result, we use different assumptions, our stock-based compensation could be materially different in the future.

	Risk-Free Interest Rate	Expected Term of Option (in Years)	Expected Dividends	Expected Stock Price Volatility
March 19, 2009	1.9%	6.08		56.0%
June 9, 2009	3.1	6.08		57.0

August 3, 2009	2.9	6.08	56.0
November 12, 2009	2.5	6.08	46.0
February 4, 2010	2.5	5.80	52.3
May 6, 2010	2.6	5.87	47.6

The following table summarizes information by grant date for the stock options that we have granted since January 1, 2009:

	Number of Shares Subject to Options Granted	Per Share Exercise Price of Options	Per Share Fair Value of Our Common Stock	Per Share Estimated Weighted Average Fair Value of Options
March 19, 2009	50,000	$ 10.84	$ 10.84	$ 5.83
June 9, 2009	85,800	15.65	15.65	8.80
August 3, 2009	127,500	17.19	17.19	9.50
November 12, 2009	1,261,750	20.01	20.01	9.47
February 4, 2010	130,500	25.00	25.00	12.79
May 6, 2010	89,000	32.23	32.23	15.40

Based on an assumed initial public offering price of $33.50 per share, the midpoint of the price range set forth on the cover page of this prospectus, the aggregate intrinsic values of outstanding vested and unvested options to purchase shares of our common stock as of March 31, 2010 would have been $95.2 million and $47.1 million, respectively.

Additionally, in December 2009 and February 2010, we granted 257,984 share and 1,600 share common stock awards. The grant date fair values of our common stock at the dates of these awards were $20.01 and $25.00 per share, respectively.

On each of the above dates, we granted our employees stock options or awarded to our officers and directors common stock at exercise prices or prices, respectively, equal to the estimated fair value of the underlying common stock, as determined on a contemporaneous basis by our board of directors with input from management and an independent valuation firm. Because there was no public market for our common stock, our board of directors determined the fair value of our common stock on each grant or award date by considering a number of objective and subjective factors including:

- the per share value of any recent preferred stock financing and the amount of convertible preferred stock liquidation preferences;
- any third-party trading activity in our common stock or preferred stock;
- the illiquid nature of our common stock and the opportunity for any future liquidity events;
- our current and historical operating performance and current financial condition;
- our operating and financial projections;
- our achievement of company milestones;
- the stock price performance of a peer group comprised of selected publicly-traded companies identified as being comparable to us; and

economic conditions and trends in the broad market for stocks.

We have also used these fair market valuations in calculating our stock-based compensation expense.

We determined the fair value of our common stock as of each valuation date by allocating our enterprise value among each of our equity securities. We utilized an income approach and two market approaches to estimate our enterprise value. These approaches are consistent with the methods outlined in the AICPA Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

The income approach utilized was the discounted cash flow method, which required us to determine the present value of our estimated future cash flows by applying an appropriate discount rate, such as our weighted average cost of capital. The cash flows estimates that we used were consistent with our company financial plan. As there is inherent uncertainty in making these estimates, we assessed the risks associated with achieving the forecasts in selecting the appropriate discount rates, which ranged from 14.0% to 20.0%. If different discount rates had been used, the valuations would have been different.

The market approaches we utilized were the guideline public company method and the guideline transaction method. We derived our enterprise value under the guideline public company method by applying valuation multiples of comparable publicly held companies to certain of our historical and forecasted financial metrics. The comparable publicly held companies generally consisted of Visa, American Express Co., Discover Financial Services, MasterCard, Western Union, Dollar Financial Corp., Euronet Worldwide Inc., and Encore Capital Group Inc. We derived our enterprise value under the guideline transaction method based on recent cash transactions with independent third parties involving our equity securities.

We assessed the results of the various approaches and methodologies by considering the relative applicability of the methods given the following factors:

- the nature of our industry and current market conditions;
- the quality, reliability and verifiability of the data used in each methodology;
- the comparability of publicly held companies or transactions; and
- any additional considerations unique to our company as of each valuation date.

We placed the most weight on the guideline transaction method when a recent cash transaction occurred with independent third parties involving our equity securities and the transaction was between willing parties. In the absence of a recent cash transaction with independent third parties, we utilized the discounted cash flow method and the guideline public company method, weighted 75% and 25%, respectively, to estimate our enterprise value. We placed more weight on the discounted cash flow method because, as of the valuation dates, our company was growing faster than the peer group companies used in the guideline public company method, reducing the comparability of their valuation multiples to our valuation multiples.

We allocated our enterprise value to each of our equity securities using the option-pricing method, or OPM, the probability-weighted expected return method, or PWERM, and the current-value method, as applicable. These equity allocation methods account for the preferential rights of holders of our preferred stock, such as liquidation preferences and conversion rights. Under these equity allocation methods, we treated preferred stock as equivalent to common stock when our enterprise value exceeded the liquidation preferences of our preferred stock.

Under the OPM, we treated common stock, preferred stock and other equity instruments as call options on our enterprise value, as this equity allocation model relies on the principle that any group of stakeholders in our company has the option to acquire our company by paying the remaining stakeholders a fair price for their securities. The options were valued using the Black-Scholes formula, which required us to estimate the volatility of the price of our equity securities. Estimating the volatility of our stock price is complex because there is no readily available market price for our stock. Therefore, we based the volatility of our stock on the volatility of the stocks of comparable publicly held companies. The volatility of the stocks of the comparable publicly held companies varied between 46% and 56% over this period. Had we used different estimates of volatility, the allocations between preferred and common stock would have been different.

Under the PWERM, we estimated the present value of our common stock based upon the anticipated timing of potential liquidity events, such as an IPO, merger or sale, or dissolution and liquidation, or our continued operation as a viable private enterprise. The anticipated timing and likelihood of each liquidity event were based on the plans of our board of directors and management as of the respective valuation dates. We estimated the future value of our enterprise under each liquidity event using both an income approach and market approaches. We discounted the future values to present value and then weighted the liquidity events based on the probability of their occurring. However, due to the uncertainty surrounding liquidity events and the capital markets at each grant date, our board of directors relied more heavily on the OPM.

Under the current-value method, we allocated our enterprise value to our common stock, preferred stock and other equity instruments based on their liquidation preferences or conversion rights, whichever would be greater. The fundamental assumption of this allocation method is that the manner in which each class of preferred stockholders will exercise its rights and achieve its return is determined based on the enterprise value as of the valuation date and not at some future date. Because this method focuses on the present and is not forward-looking, its usefulness is limited primarily to situations where a liquidity event such as an IPO is imminent and thus expectations about the future of the enterprise as a going concern are largely irrelevant.

We reduced the fair value per share of our common stock, as determined by the equity allocation methods, by a lack of marketability discount that ranged from 15% to 30%. This discount served to account for the fact that there was no public market for our common stock as of the various grant dates. We determined the appropriate level of discount by comparing attributes of our company and our equity securities to benchmarks in empirical studies of nonmarketable securities and calculating the hypothetical cost to hedge our common stock with put options over the period in which our common stock was expected to remain illiquid and not marketable.

Our valuations for each grant date since January 1, 2009 are described in detail below.

Stock Option Grants on March 19, 2009. On December 19, 2008, we sold 1,181,818 shares of Series C-2 Preferred Stock at a price of $11.00 per share and we redeemed 2,926,458 shares of Series D Preferred Stock at a price of $13.38 per share.

We completed a valuation analysis using the OPM and PWERM to derive values for our preferred stock, our common stock and the overall enterprise.

The value of each security and the enterprise was determined in the OPM relative to the sale price of our Series C-2 Preferred Stock. In the OPM, the value of each security was determined using the Black-Scholes formula, assuming a time to liquidity of 2.8 years, an asset volatility of 50% and a risk-free interest rate commensurate with the estimated time to liquidity of 1.2%. Because the Series D Preferred Stock contained unique and complex redemption features that increased the difficulty and subjectivity in determining its value, we considered its redemption value to be less reliable as an input into the OPM in deriving an overall enterprise value.

We also utilized a PWERM that contemplated two scenarios – a remain-private scenario and a future liquidity event scenario. We derived our value under the remain-private scenario by discounting projected future cash flows to their present value as of the grant date using a 20.0% discount rate. This rate was determined based on an estimated weighted-average cost of capital derived from our estimated cost of equity, our after-tax cost of debt, and the debt-to-equity ratio implied by the valuation. Our cost of capital was based on publicly available information for companies in lines of business that were the same as or similar to ours.

We estimated high and low future enterprise values under the PWERM future liquidity event scenario using high- and low-case financial projections and market-based valuation multiples derived from publicly traded peer group companies, transactions involving businesses that were similar to our company, and valuation multiples implied by the sale of our Series C-2 Preferred Stock. We allocated the future enterprise values to options, warrants and various series of preferred stock based on their future liquidation preferences or conversion values, whichever would be greater, and allocated the remainder to our common stock. The allocated value was discounted to present value at the grant date.

In the final analysis, we weighted the remain-private and future liquidity event scenarios equally as the likelihood of either scenario was difficult to forecast with reliability. We weighted the value indications determined under the low- and high-case cash flow projections by 75.0% and 25.0%, respectively. We weighted the indications of the fair value of our common stock under the two equity allocation methods – OPM and PWERM – 75.0% and 25.0%, respectively, because of the level of subjectivity inherent in the PWERM as a result of the continued turmoil in the public and private markets and the uncertainty at the time as to when a potential liquidity event could occur for our company.

Based on this analysis, our board of directors determined that the estimated fair value of our common stock at March 19, 2009 was $10.84 per share on a minority, nonmarketable basis.

Stock Option Grants on June 9, 2009. For the June 9, 2009 valuation, we determined that the uncertainty surrounding the timing of a liquidity event had increased the level of subjectivity in the PWERM to the point where that methodology was no longer considered appropriate. Therefore, we utilized only the OPM equity allocation method.

We calculated values for our securities in the OPM using the Black-Scholes formula, assuming a time to liquidity of 2.6 years, an asset volatility of 55.0%, and a risk-free interest rate commensurate with the estimated time to liquidity of 1.3%. We continued to estimate the enterprise value by discounting high- and low-case cash flow projections to present value as of the grant dates using a 20.0% discount rate and through the application of valuation multiples derived from publicly traded companies engaged in lines of business that were the same as or similar to ours. Although we continued to weigh the low- and high-case cash flow projections by 75.0% and 25.0%, respectively, as of June 9, 2009, the enterprise value increased as progress toward attaining the high-case cash flow projections was made. Additionally, the value implied by the guideline public company methodology increased due to improvement in valuation multiples from increasing stock prices for our peer group public companies.

Based on this analysis, our board of directors determined that the estimated fair value of our common stock at June 9, 2009 was $15.65 per share on a minority, nonmarketable basis.

Stock Option Grants on August 3, 2009. For the August 3, 2009 valuation, we continued to use only the OPM with the Black-Scholes formula to calculate the value of our securities, assuming a time to liquidity of 2.4 years, an asset volatility of 56.0%, and a risk-free interest rate commensurate with the estimated time to liquidity of 1.2%.

Continued progress toward the high-case cash flow scenario and continued improvements in our peer group public company market factors were reflected in the underlying enterprise value, resulting in an increase in the estimated fair value of our common stock value relative to the prior grant date.

Based on this analysis, our board of directors determined that the estimated fair value of our common stock at August 3, 2009 was $17.19 per share on a minority, nonmarketable basis.

Stock Option Grants on November 12, 2009. In October 2009, certain existing and third-party investors entered into a tentative agreement, whereby the investors extended an offer to purchase 3,250,000 shares of our common stock, at a price of $20.05 less applicable selling fees, directly from our existing stockholders. On November 9, 2009, the offering closed and existing stockholders sold 3,033,661 shares of our common stock at a price of $20.01 per share.

Our board of directors considered the offering price to be the most reliable estimate of the fair value of our common stock given that the transaction was an orderly purchase and sale among parties that had reasonable knowledge of relevant facts and that were not under any compulsion to buy or sell the securities.

Based on these facts, our board of directors determined that the estimated fair value of our common stock at November 12, 2009 was $20.01 per share on a minority, nonmarketable basis.

Stock Option Grants on February 4, 2010. In December 2009, an existing stockholder sold 400,000 shares of Series C and C-1 Preferred Stock for $25.00 per share to another existing stockholder. Our board of directors considered this transaction to be a reliable estimate of the fair value of our common stock given that the transaction was an orderly purchase and sale among parties that had reasonable knowledge of relevant facts and that were not under any compulsion to buy or sell the securities. Additionally, the liquidation preference of the Series C and C-1 Preferred Stock sold was equal to $1.07 per share. Relative to the purchase price of $25.00, the preferred stock conversion option value was deeply in-the-money and implied no premium over common stock.

Based on these facts, our board of directors determined that the estimated fair value of our common stock at February 4, 2010 was $25.00 per share on a minority, nonmarketable basis.

Stock Option Grants on May 6, 2010. For the May 6, 2010 valuation, we estimated our enterprise value taking into consideration a proposed amendment to our agreement with Walmart. We utilized cash flow projections for two alternative scenarios the proposed amendment was completed and the proposed amendment was not completed. We discounted these cash flow projections as of the grant date using discount rates of 14.0% and 16.0% and applied valuation multiples derived from publicly traded companies engaged in lines of business that were the same as or similar to ours. Our enterprise value increased from our valuation at February 4, 2010 because we made progress toward achieving our cash flow projections, we lowered the discount rate by 2.5% from the previous valuation as a result of lower company-specific risk premium and the value implied by the guideline public company methodology increased due to improvement in valuation multiples from increasing stock prices for our peer group companies. We expanded our guideline company set to include Amazon.com, Salesforce.com, Google and Tencent, Inc. as we considered these companies relevant to the value of our company.

We calculated values for our securities using the current-value method. Due to the value of our common stock relative to the liquidation preferences of our preferred stock, the selection of the allocation method was insignificant. We weighted the fair value of our common stock determined under the two scenarios described above by the probability of each scenario occurring 75% and 25%, respectively.

Based on this analysis, our board of directors determined that the estimated fair value of our common stock at May 6, 2010 was $32.23 per share on a minority, nonmarketable basis. Our proposed amendment with Walmart was completed after the grant date, as discussed in this prospectus.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board, or FASB, approved the Accounting Standards Codification, or ASC, as the single source of authoritative accounting and reporting standards for all nongovernmental entities, with the exception of guidance issued by the SEC and its staff. The FASB ASC is effective for interim or annual periods ending after September 15, 2009. All existing accounting standards have been superseded, and all accounting literature not included in the FASB ASC is considered non-authoritative. Our adoption of FASB ASC did not have an impact on our consolidated financial statements because it only amends the referencing to existing accounting standards.

In May 2009, the FASB issued a new accounting standard for disclosing events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Additionally, the standard requires companies to disclose subsequent events as defined in the standard and to disclose the date through which we have evaluated subsequent events. The standard is effective for interim and annual periods ending after June 15, 2009. Our adoption of the standard did not have a material impact on our consolidated financial statements. See note 16 of our notes to consolidated financial statements.

In April 2009, the FASB issued a new accounting standard that requires us to include fair value disclosures of financial instruments for each interim and annual period for which financial statements

are prepared. Our adoption of the standard did not have a material impact on our consolidated financial statements. See note 8 of our notes to consolidated financial statements.

In June 2008, the FASB issued a new accounting standard on determining whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method. Unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents are treated as a separate class of securities in calculating earnings per share. The standard is effective for fiscal years beginning after December 15, 2008; earlier application was not permitted. Our adoption of the standard did not have a material effect on our results of operations or earnings per share.

In December 2007, the FASB issued guidance that modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100% of the assets acquired, liabilities assumed and any noncontrolling interest in the acquired company at fair value on the date of acquisition. In addition, the guidance requires that the acquisition-related transaction and restructuring costs be charged to expense as incurred, and requires that certain contingent assets acquired and liabilities assumed, as well as contingent consideration, be recognized at fair value. This guidance also modifies the accounting for certain acquired income tax assets and liabilities. Further, the guidance requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies under existing accounting guidance. This new guidance is effective for acquisitions consummated on or after January 1, 2009. We will apply this guidance to our pending acquisition of a bank holding company and its subsidiary commercial bank. See note 16 of our notes to consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential for economic losses from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. We believe that we have limited exposure to risks associated with changes in foreign currency exchange rates, interest rates and equity prices. We have no foreign operations, and we do not transact business in foreign currencies. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes. We do not consider our cash and cash equivalents to be subject to interest rate risk due to their short periods of time to maturity.

We do have exposure to credit risk associated with the financial institutions that hold our cash, cash equivalents and restricted cash and our settlement assets due from our retail distributors that collect funds and fees from our customers. We manage the credit risk associated with our cash and cash equivalents by maintaining an investment policy that limits investments to highly liquid funds with certain highly rated financial institutions. Our policy also limits the investment concentration that we may have with a single financial institution. We monitor compliance with our investment policy on an ongoing basis, including quarterly communication with our audit committee.

We also have exposure to credit risk associated with our retail distributors, but that exposure is limited due to the short time period, currently an average of three days, that the retailer settlement asset is outstanding. We perform an initial credit review of each new retail distributor prior to signing a distribution agreement with it, and then monitor its financial performance on a periodic basis. We monitor each retail distributor s settlement asset exposure and its compliance with its specified contractual settlement terms on a daily basis.

BUSINESS

Overview

Green Dot is a leading prepaid financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. We believe that we are the leading provider of general purpose reloadable prepaid debit cards in the United States and that our Green Dot Network is the leading reload network for prepaid cards in the United States. We sell our cards and offer our reload services nationwide at approximately 50,000 retail store locations, which provide consumers convenient access to our products and services. Our technology platform, Green PlaNET, provides essential functionality, including point-of-sale connectivity and interoperability with Visa, MasterCard and other payment or funds transfer networks, and compliance and other capabilities to our Green Dot Network, enabling real-time transactions in a secure environment. The combination of our innovative products, broad retail distribution and proprietary technology creates powerful network effects, which we believe enhance the value we deliver to our customers, our retail distributors and other participants in our network.

We have designed our products and services to appeal primarily to consumers living in households that earn less than $75,000 annually across the following four segments:

Never-banked   households in which no one has ever had a bank account;

Previously-banked   households in which at least one member has previously had a bank account, but no one has one currently;

Underbanked   households in which at least one member currently has a bank account, but that also use non-bank financial service providers to conduct routine transactions like check cashing or bill payment; and

Fully-banked   households that primarily rely on traditional financial services.

We were an early pioneer in the development of prepaid financial services in the United States. In May 2001, we sold our first basic prepaid card with simple loading and spending functionality targeted at low income and never-banked consumers. As we have grown and our technological capabilities have increased, we have broadened our offerings and their functionality to provide consumers access to products and services with a more comprehensive set of features. These products and services now also appeal to more affluent underbanked and fully-banked consumers who do not feel well served by and cannot justify the cost and complexity of traditional banking products and payment cards, have limited access to credit, or find traditional bank policies and fee schedules ill-suited to their needs.

We believe that we are the leading provider of GPR cards in the United States. GPR cards are designed for general spending purposes and can be used anywhere their applicable payment network, such as Visa or MasterCard, is accepted. Unlike gift cards, GPR cards are reloadable for ongoing, long-term use and require the completion of various identification, verification and other USA PATRIOT Act-compliant processes before a cardholder relationship can be established. Our GPR cards are issued as Visa- or MasterCard-branded cards and are accepted worldwide by merchants and other businesses belonging to the applicable payment network, including for bill payments, online shopping, everyday store purchases and ATM withdrawals. As of March 31, 2010, we had approximately 3.4 million active cards, that is, cards that had had at least one purchase transaction, reload transaction or ATM withdrawal during the previous 90-day period. In fiscal 2009, the gross dollar volume loaded to our cards and reload products was $4.7 billion, an increase of 67% over fiscal 2008. During the five months ended December 31, 2009, the gross dollar volume loaded to our cards and reload products was $2.7 billion, an increase of 69% over the five months ended

December 31, 2008. During the three months ended March 31, 2010, the gross dollar volume loaded to our cards and reload products was $2.8 billion, an increase of 133% over the three months ended March 31, 2009.

We distribute our products and services at the retail locations of large national and regional chains throughout the United States and through the Internet. We have built strong distribution and marketing relationships with many significant retail chains, including Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, Meijer and Radio Shack. We market our products under our Green Dot brand and through a number of co-branded GPR card programs that we operate for retailers and other business entities.

We believe our Green Dot Network is the leading reload network for prepaid cards in the United States. Consumers can purchase our MoneyPak product at any of our retail distributor locations to reload cash onto our cards or cards issued under more than 100 third-party prepaid card programs. Furthermore, in 2009, PayPal has become a Green Dot Network acceptance member, enabling PayPal customers to use a MoneyPak to fund a new or existing PayPal account, but to date we have not generated significant operating revenues from our relationship with PayPal.

Our centralized technology platform, Green PlaNET, connects all network participants, which include consumers, retail distributors and businesses that accept reloads or payments through the Green Dot Network, enabling real-time transactions across the Green Dot Network through a single and secure point of integration and connectivity. This platform also enables our cards and reload network to interoperate with Visa, MasterCard and other payment or funds transfer networks, allowing our cardholders to make purchases and complete other transactions. These attributes of Green PlaNET enable us to develop, distribute and support a variety of products and services effectively. Green PlaNET includes a variety of proprietary software applications that, together with third-party applications, run our front-end, back-end, anti-fraud, regulatory compliance and customer service processing systems.

For the years ended July 31, 2007, 2008 and 2009, the five months ended December 31, 2009 and the three months ended March 31, 2010, our total operating revenues were $83.6 million, $168.1 million, $234.8 million, $112.8 million and $92.8 million, respectively. In the same periods, we generated operating income of $1.2 million, $29.2 million, $63.7 million, $23.3 million and $24.1 million, respectively.

Industry Background

New technologies and product innovations have expanded the way financial services are sold and used.

Over the past 40 years, technological advances in telecommunications, software and data processing have spurred innovations both in the types of financial products and services that are available and in the ways that they are distributed in the marketplace and used by consumers. Innovations such as ATMs and the Internet have enhanced consumers access to their demand deposit accounts, while innovations such as credit, ATM and debit cards and electronic checks have permitted new methods of payment each providing consumers with alternatives to cash and traditional financial products and services that offer greater convenience and ease of use. These innovations contributed to an increase of approximately 78% in the number of electronic payment transactions in the United States from 2000 to 2005 and, we believe, are a major reason that electronic payment transactions have represented the majority of all payment transactions annually since 2005. Over the past few years, a new series of innovative products and technologies have increasingly been adopted. Certain products, such as prepaid cards, prepaid electronic wallets and prepaid mobile payments, are enabling the distribution of fast, safe and low-cost alternative financial services in non-bank locations.

Prepaid cards represent a large and rapidly growing segment within the electronic payments industry.

Prepaid cards have emerged as an attractive product within the electronic payments industry. They are easy for consumers to understand and use because they work in a manner similar to traditional debit cards, allowing the cardholder to use a conventional plastic card linked to an account established at a financial institution. The consumer determines the card s spending limit by adding

money directly to the account, and can reload the card with additional funds as needed. The consumer can access the funds on the card at ATMs and/or the point of sale in retail locations using signature identification technologies or a personal identification number. Prepaid cards and related services offer consumers tremendous flexibility, convenience and spending control. The Mercator Advisory Group estimates that the total load volume in the United States for prepaid cards, excluding single merchant, or closed loop, cards, will grow at a 48.3% compound annual growth rate from 2008 to 2012 and exceed $291 billion in 2012. We believe this rapid growth results from improving underlying technology, increasing adoption by a broader group of consumers, increasing convenience, declining costs and increasing product choices and capabilities that prepaid cards offer. Visa Inc. estimates that the U.S. prepaid opportunity, defined as the total dollars spent by the total estimated prepaid card target audience, was $2.03 trillion in 2009, and that 56% of this amount could potentially have been loaded on U.S. prepaid cards in 2009.

Prepaid cards and related services are currently offered by a wide array of specialized and partially integrated vendors.

Although many large and well-established vendors provide elements of prepaid cards and related services, the prepaid card industry is fragmented. Vendors generally do not have a broad set of product and service offerings or capabilities, and no single vendor currently provides all of the elements that are necessary to establish and operate a GPR card program. Existing vendors include:

Card Issuing Banks banks that are authorized by payment networks to issue cards and that provide accounts to hold deposits. Many card issuing banks also manage settlement and provide risk management services. A bank s participation in a prepaid card program can range from actively managing and marketing the card program to providing passive sponsorship into payment networks.

Payment Networks companies, such as Visa and MasterCard, that facilitate point-of-sale card acceptance, provide purchase and withdrawal transaction routing and processing between merchant acquirers and card issuing banks, perform certain clearing and settlement functions and provide marketing and support services to card issuing banks. Payment networks also establish network rules and establish processing and security standards and customer protections to which all participating members must adhere.

Processors technology vendors that provide connectivity to payment networks, maintain account balances, and authorize purchase and withdrawal transactions. Many processors provide additional services, including card activation and customer service, and develop and/or integrate value-added cardholder applications such as online bill payment, microlending and mobile payment services.

Program Managers specialized vendors that design, manage, market and operate prepaid card programs. Prepaid card program managers may provide a range of services or delegate that provision to other specialized vendors, such as card issuing banks, processors and distributors, and collaborate with them as these programs are implemented. Prepaid card program managers may also negotiate the allocation of fees and risk management with all vendors involved in a particular prepaid card program.

Distributors organizations, such as retailers, remittance vendors, tax preparers, check cashers, payday lenders, card resellers and employers, that distribute cards through various sales channels and may also manage inventory fulfillment and provide point-of-sale integration and technology.

Reload Networks vendors that provide products and services, connectivity, technology and integration which enable point-of-sale locations to accept cash payments and associate those payments with a specific account. These vendors also provide transaction routing and processing between the point of sale and the destination of the fund transfer. A small number of reload

networks have proprietary brands, acceptance locations and technology, while most take advantage of the brands, technology and point-of-sale relationships of other third-party vendors.

Prepaid financial services is a large and rapidly growing segment within the prepaid card industry.

Prepaid financial services, which includes GPR cards and associated reload services, is currently among the largest and fastest-growing segments in the prepaid card industry. The GPR card category has benefited from the expanding breadth of applications for GPR cards and the ease with which they can be acquired. According to Mercator Advisory Group s Prepaid Market Forecast 2009 to 2012 research report, $8.7 billion was loaded onto GPR cards in the United States in 2008 and $118.5 billion will be loaded onto GPR cards in the United States in 2012, reflecting a 92% compound annual growth rate during that four-year period. We believe that this growth in the use of GPR cards will contribute to a substantial increase in the demand for related services, including reload services.

Prepaid financial services are evolving as providers develop new ways of offering financial services.

The products offered by prepaid financial service providers are relatively early in their lifecycles. We believe that the flexibility, accessibility and low cost of prepaid financial services will lead to many new, attractive payment applications outside of traditional banking channels. By virtue of their broad acceptance and the flexibility they provide, GPR cards offer safe, reliable, low-cost financial services to a broad spectrum of U.S. consumers who do not feel well served by and cannot justify the cost of traditional banking products.

Our Competitive Strengths

Our combination of innovative products and marketing expertise, a known brand name, a nationwide retail distribution presence and proprietary technology supports our network-based business model and has enabled us to become a leading provider of prepaid financial services in the United States. Our strengths include:

Innovative Product and Marketing Expertise

We are an innovator in the development, merchandising and marketing of prepaid financial services. Our consumer focus has helped us to develop solutions for people who, prior to the existence of our products, either had to settle for an ill-suited banking relationship or, more often, simply opted out of the financial mainstream and resorted to using check cashers, payday lenders and cash. We believe we were the first company to combine the products, technology platform and distribution channel required to make retailer-distributed GPR cards a viable product offering. We subsequently built our reload network, and have recently expanded it to facilitate cash loading of online accounts like PayPal. We also have successfully incorporated traditional bank account style online bill pay on our GPR cards and launched a large-scale instant issue program, whereby the Visa or MasterCard-branded GPR card is enclosed in the package on the in-store display. Our consumer focus has also led us to enhance our product packaging and product displays in retail locations to educate consumers and promote our products and services more effectively. In addition, we believe that we have the strongest brand in the prepaid financial services industry, and we continue to build brand awareness using national television advertising.

Leading Retail Distribution

We have established a nationwide retail distribution network, consisting of approximately 50,000 retail store locations, which gives us access to the vast majority of the U.S. population. According to a Scarborough Research survey, which was conducted between August 2008 and September 2009, at least 93% of U.S. adult respondents had shopped at one or more of the stores of our current retail distributors within the prior twelve months. We have built distribution relationships with Walmart, CVS

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and Kroger, three of the five largest retailers in the United States, and major chains like Walgreens, Rite Aid, 7-Eleven, Kmart, Meijer and Radio Shack. In general, our contracts with retail distributors provide us with exclusivity relating to one or more of the following: reloading GPR cards, selling GPR cards in their stores and providing specific co-branded card programs.

Establishing distribution relationships requires significant investments by, complex integrations between and large support infrastructures from providers and distributors. As a result, we believe our broad and established retail distribution network constitutes one of our key competitive advantages and a significant barrier to entry for potential competitors.

Leading Reload Network in the United States

We believe our Green Dot Network is the leading reload network for prepaid cards in the United States. By purchasing our MoneyPak reload product at any of our distributors retail locations, consumers can access the Green Dot Network and use it for a wide variety of transactions, including cash loading onto prepaid cards and PayPal accounts. Although a substantial majority of the transactions on our reload network are associated with our cards, the transaction volume from third-party card portfolios has grown significantly as over 100 third-party prepaid card programs now use the Green Dot Network for card reloading services. Recent innovations, like our relationship with PayPal and Intuit, have also expanded our transaction volume and consumers familiarity with the Green Dot brand. While our reload network today is used primarily for cash loading of prepaid cards and cash loading of PayPal accounts, we believe that it can be expanded and adapted to many new and evolving applications in the electronic payments industry.

Proprietary Technology

Green PlaNET, our centralized technology platform, enables our network participants to engage in real-time transactions across the Green Dot Network and enables the effective development, distribution and support of a variety of products and services. This platform also enables our cards and reload network to interoperate with Visa, MasterCard and other payment or funds transfer networks, allowing our cardholders to make purchases and complete other transactions. Green PlaNET includes a variety of proprietary software applications that, together with third-party applications, run our front-end, back-end, anti-fraud, regulatory compliance and customer service processing systems. Green PlaNET gives us the ability to centrally develop, distribute and support product applications, manage customer accounts, authorize, process and settle transactions, enable security and regulatory compliance, and provide customer services through the Internet, IVR, call centers, mobile applications and email. In addition, Green PlaNET enables network participants to communicate and complete card purchases, reloads, bill payments and other transactions rapidly and securely through our reload network, using a variety of services, point-of-sale technologies or third-party payment or funds transfer networks, and is a central component of our network-based business model.

Business Model with Powerful Network Effects

The combination of our broad group of products and services, large portfolio of active cards, nationwide footprint of retail distributors and proprietary technology creates powerful network effects. Growth in the number of products and services that we offer or in the number of network participants enhances the value we deliver to all network participants. For example, we are able to attract retail distributors because of the large number of consumers who actively use our reload network. This network effect helps us continue to grow our cardholder base and expand our business. We believe the breadth and depth of our network would be difficult to replicate and represents a significant competitive advantage, as well as a barrier to entry for potential competitors.

Vertical Integration

We believe that we are more vertically integrated than our competitors, based on our distribution capabilities, processing platform, program management skills and proprietary reload network.

Whereas we have built our offerings primarily around our own internally-developed capabilities, none of our competitors has been able to offer products and services similar to ours without collaborating with third parties to provide one or more of the essential features of prepaid financial service offerings, such as program management or a reload network. This integration has allowed us to reduce costs across our operations and, we expect, will continue to provide us with opportunities to reduce operational costs in the future. It also enables us to scale our business quickly in response to rising demand and to ensure high-quality service for our customers.

Strong Regulatory and Compliance Infrastructure

We employ a proactive approach to licensing, regulatory and compliance matters, which we believe provides us with an important competitive advantage. We maintain an ongoing dialogue with the various governmental authorities that oversee the prepaid financial services industry. We believe that our pro-consumer orientation and regulatory focus have enabled us to develop strong relationships with leading retailers and financial institutions and have also prepared us well for changes in the regulatory environment.

Our Strategy for Growth

The key components of our strategy include:

Increasing the Number of Network Participants

We intend to enhance the network effects in our business model in the following ways:

Attracting new users by introducing new products, improving current products to address consumers current and evolving needs, and building demand for our products through promotions;

Expanding and strengthening our distribution by establishing relationships with additional high-quality retail chains, increasing online distribution of our products and accelerating our entry into new distribution channels, including collaborating with third-party service providers, such as electronic tax preparation providers; and

Adding network acceptance members to and applications for the Green Dot Network by continuing to enroll additional third-party prepaid card program providers that want to offer their cardholders access to our reload network and to identify additional uses for our reload network s cash transfer technology.

Increasing Revenue per Customer

We intend to pursue greater revenue per customer by improving cardholder retention, increasing card usage and cross-selling complementary products and services. Our historical card usage patterns suggest that consumers who reload additional funds onto their cards within three months of activation tend to have significantly higher levels of transaction activity and generate more cash transfer and interchange revenues for us than those who do not. Therefore, we intend to target improved cardholder retention by offering incentives, such as fee waivers for specified reload amounts or activities, to encourage cardholders to reload additional funds onto their cards and extend their relationships with us. We also intend to add new services, such as additional reload options and new mobile applications that enable convenient use of our products and services, to make our products more valuable to consumers.

Improving Operating Efficiencies

We intend to leverage our growing scale and vertical integration to generate incremental operating efficiencies. As we continue to expand our business operations, we plan to reduce our marginal operating costs by continuing to implement rigorous cost-containment programs, purchase vendor services from low-cost providers and reduce the use of outsourced services that can be provided internally at lower cost. For example, we intend to improve our self-service offerings so that customers can obtain automated customer service through our website, IVR or mobile applications. Additionally, some of our current vendor agreements include pricing structures that call for reduced pricing as our customer usage volumes grow. These cost savings will provide us with the flexibility to engage in new marketing programs, reduce pricing and make other investments in our business to maintain our leadership position.

Broadening Brand and Product Awareness

We intend to broaden awareness of the Green Dot brand, which we believe is the leading national brand in prepaid financial services, and of our products and services through national television advertising, online advertising and ongoing enhancements to our packaging and merchandising. We plan to reinforce and strengthen perceptions of the key attributes of the Green Dot brand, which we believe are trust, security, convenience and simplicity. We also intend to continue educating consumers, retail distributors and network acceptance members on the functionality, convenience and cost advantages of our products and services. Our advertising spending fluctuates and tends to be greater when we believe we can earn the highest return for the amount spent. We typically increase spending during product launches, special promotions, periods of seasonally increased card purchase and reload activity, and periods when advertising media prices are unusually low.

Acquiring Complementary Businesses

We intend to pursue acquisitions that will help us achieve our strategic objectives. We intend to acquire companies that have the potential to enhance the distribution of our products and services through either existing or new channels. We also intend to pursue acquisitions that have the potential to augment the features and functionality of our existing products and services or to provide complementary products and services that can be sold through our existing distribution channels. There are many prepaid financial services providers and the market remains fragmented, which we believe will provide us with acquisition opportunities over time.

Our Bank Acquisition Strategy

In February 2010, we entered into a definitive agreement to acquire Utah-based Bonneville Bancorp, a bank holding company, and its subsidiary commercial bank, Bonneville Bank, for an aggregate cash purchase price of approximately $15.7 million, and filed applications with the appropriate federal and state regulators seeking approvals for this transaction. The bank had total assets of $34.1 million, including net loans outstanding of approximately $15.4 million, as of December 31, 2009, and earned a nominal amount of income for the year ended December 31, 2009. This acquisition is subject to standard closing conditions, including regulatory approval.

Upon consummation of the acquisition, we will become a bank holding company regulated by the Federal Reserve Board. While there can be no assurance that we will obtain these approvals or our bank acquisition will close, we currently expect to complete this acquisition in the third quarter of calendar 2010.

We believe that acquiring a bank charter will enable us to (i) offer consumers FDIC-insured transactional accounts, (ii) issue prepaid card and debit card products linked to those transactional accounts, (iii) offer other types of deposit products, such as savings accounts, and (iv) provide settlement services for our reload network.

We believe that this acquisition will provide the following strategic benefits:

- increase our efficiency in introducing and managing potential new products and services, which are more difficult to accomplish with multiple unaffiliated card issuing banks;

reduce the risk that we would be negatively impacted by one of the banks that issue our cards changing its business practices as a result of, among other things, a change of strategic direction, financial hardship or regulatory developments;

reduce the sponsorship and service fees and other expenses that we incur each year to the third-party banks that issue our cards, and correspondingly increase funds available to us to spend on other aspects of our business, including the ability to invest in further reducing consumer pricing; and

further increase the degree to which our operations are integrated and provide increased control over our operations.

Our Business Model

Our business model focuses on four major elements: our consumers; our distribution; our products and services; and our proprietary technology, which provides functionality for and connectivity to the Green Dot Network and supports the platform that brings the other three elements together.

Our Consumers

We have designed our products and services to appeal primarily to consumers living in households that earn less than $75,000 annually across the following four segments:

Never-banked households in which no one has ever had a bank account;

Previously-banked households in which at least one member has previously had a bank account, but no one has one currently;

Underbanked households in which at least one member currently has a bank account, but that also use non-bank financial service providers to conduct routine transactions like check cashing or bill payment; and

Fully-banked households that primarily rely on traditional financial services.

Based on data from the FDIC, the Federal Reserve Bank, the U.S. Census and the Center for Financial Services Innovation and our proprietary data, we believe these four segments collectively represent an addressable market of approximately 160 million people in the United States. We believe that we currently have a significant number of customers in each of these segments.

Customers in different segments tend to purchase and use our products for different reasons and in different ways. For example, we believe never-banked consumers use our products as a safe, controlled way to spend cash and as a means to access channels of trade, such as online purchases, where cash cannot be used. We believe previously-banked consumers use our products as a convenient and affordable substitute for a traditional checking account by depositing payroll checks (via direct or in-store deposit) into a Green Dot GPR card account and using our products to pay bills, shop online, monitor spending and withdraw cash from ATM machines.

We believe underbanked consumers use our products in ways similar to those of the never- and previously-banked segments, but additionally view our products as a credit card substitute. For example, underbanked consumers use our products to make purchases at physical and online merchants, make travel arrangements and guarantee reservations. We believe fully-banked consumers use our products as companion products to their bank checking account, segregating funds into separate accounts for a variety of uses. For example, fully-banked consumers often use our cards to shop on the Internet without providing their bank debit card account information online. These consumers also use our products to control spending, designate funds for specific uses, prevent overdrafts in their checking accounts, or load funds into specific accounts, such as a PayPal account.

Our Distribution

We achieve broad distribution of our products and services through our retail distributors, the Internet and relationships with other businesses, such as Intuit. In addition, our network acceptance members encourage their customers to use our prepaid financial services.

Retail Distributors. Our prepaid financial services are sold in approximately 50,000 retail store locations, including those of major national mass merchandisers, national and regional drug store and convenience store chains, and national and regional supermarket chains. Our retail distributors include:

Type of Distributor	**Representative Distributors**
Mass merchandise retailers	Walmart, Kmart, Meijer
Drug store retailers	Walgreens, CVS, Rite-Aid, Duane Reade
Convenience store retailers	7-Eleven, The Pantry (Kangaroo Express)
Supermarket retailers	Kroger
Other	RadioShack

Most of these retailers have been our distributors for several years and all have contracts with us, subject to termination rights, that expire at various dates from 2011 to 2015. In general, our agreements with our retail distributors give us the right to provide Green Dot-branded and/or co-branded GPR cards and reload services in their retail locations and require us to share with them by way of commissions the revenues generated by sales of these cards and reload services. We and the retail distributor generally also agree to certain marketing arrangements, such as promotions and advertising. Our operating revenues derived from products and services sold at the store locations of our four largest retail distributors (Walmart, Walgreen, CVS and Rite Aid) represented the following percentages of our total operating revenues: approximately 3%, 22%, 19% and 17%, respectively, for the year ended July 31, 2007, 39%, 17%, 13% and 11%, respectively, for the year ended July 31, 2008, 56%, 11%, 9% and 7%, respectively, for the year ended July 31, 2009, 66%, 9%, 8% and 6%, respectively, for the five months ended December 31, 2009 and 63%, 8%, 7% and 5%, respectively, for the three months ended March 31, 2010.

Our Relationship with Walmart. Walmart is our largest retail distributor. We have been the exclusive provider of GPR cards sold at Walmart since Walmart initiated its Walmart MoneyCard program in 2007. In October 2006, we entered into agreements with Walmart and GE Money Bank (the card issuing bank), which set forth the terms and conditions of our relationship with Walmart. Pursuant to the terms of these agreements, Green Dot designs and delivers the Walmart MoneyCard product and provides all ongoing program support, including network IT, regulatory and legal compliance, website functionality, customer service and loss management. Walmart displays and sells the cards and GE Money Bank serves as the issuer of the cards and holds the associated FDIC-insured deposits. All Walmart MoneyCard products are reloadable exclusively on the Green Dot Network.

In May 2010, the term of the agreement among Green Dot, Walmart and GE Money Bank was extended through May 2015. The parties also agreed to various other changes to the terms of the agreement. In particular, the sales commission percentages that we pay to Walmart for the Walmart MoneyCard program increased significantly to an estimated 22%, or a level approximately equal to what they had been during the three months ended December 31, 2008, from the level in place during the fifteen months ended April 30, 2010, which ranged from 5.0% to 7.9% in the calendar quarters that ended within that period. We believe that the new sales commission structure provides a long-term financial incentive for Walmart to continue to grow the volume of our products sold in its stores, but expect that this change will negatively affect our sales and marketing expenses, net income and net income per share through at least 2011. In future periods, we believe that, if the volume of our products sold in Walmart stores grows as we expect it will under the new arrangement, the increased sales volumes will more than offset the margin impact of the sales commission percentage increases. However, there can be no assurance that the volume of our products sold in Walmart stores will grow as we expect it will under the new arrangement. See Management s Discussion and Analysis of Financial

Condition and Results of Operations Overview Recent Changes to Our Relationship with Walmart above for background and additional discussion regarding the sales commission percentages paid to Walmart, both on a historical basis and to give effect to our new arrangement with Walmart, and the expected impact of the new arrangement on our results of operations.

Walmart has the right to terminate this agreement prior to its expiration or renewal, but subject to notice periods of varying lengths, for a number of specified reasons, including;

- a change by GE Money Bank in its card operating procedures that Walmart reasonably believes will have a material adverse effect on Walmart s operations;
- our or GE Money Bank s inability or unwillingness to agree to program-related pricing changes proposed by Walmart;
- our inability or unwillingness to make Walmart MoneyCards reloadable outside of our reload network in the event that our reload network does not meet particular size requirements in the future;
- in the event Walmart reasonably believes that it is reasonably possible, after the parties have explored and been unable to agree on any alternatives, that the Federal Reserve Board may determine that Walmart exercises a controlling influence over our management or policies;
- in the event of specified changes in control of GE Money Bank or us that are not otherwise permitted by the agreement; or
- our failure to meet agreed-upon service levels.

In connection with our entry into this commercial agreement, we issued to Walmart 2,208,552 shares of our Class A common stock, or approximately 34.6% of our outstanding Class A common stock and 5.4% of our total outstanding Class A and Class B common stock after this offering. These shares will represent less than 1% of the combined voting power of our outstanding Class A and Class B common stock, in each case after giving effect to this offering, and, in connection with the share issuance, Walmart entered into an agreement to vote its shares in proportion to the way the rest of our stockholders vote their shares. The Walmart shares also are subject to our right of repurchase upon termination of our commercial agreement with Walmart and GE Money Bank, other than a termination arising out of our knowing, intentional and material breach of the agreement. Our right to repurchase lapses with respect to 36,810 shares per month over the 60-month term of the agreement. The repurchase right will expire as to all shares of Class A common stock that remain subject to the repurchase right if we experience a prohibited change of control, as defined in the commercial agreement, if we experience a change of control, as defined in the stock issuance agreement, or under certain other limited circumstances, such as a termination of our commercial agreement with Walmart and GE Money Bank for the reason described in the fourth bullet of the preceding paragraph. However, should it become reasonably possible that such termination right could be exercised, we would take all steps within our power to address the concerns of the Federal Reserve Board or its staff to avoid a termination under our commercial agreement with Walmart and GE Money Bank. Prior to the earliest to occur of (i) December 24, 2012, (ii) the termination of our commercial agreement under certain limited circumstances and (iii) an event that would cause our repurchase right to lapse in full prior to May 2015, Walmart is required to pay us $25.00 per share for each share it sells in excess of 309,839 shares (subject to adjustment if this prospectus is dated after July 31, 2010) in any consecutive six-month period following the expiration of the lock-up agreements described under Shares Eligible For Future Sale below. We have also granted Walmart registration rights for all of its shares of our Class A common stock that are no longer subject to our repurchase right. See Description of Capital Stock.

Network Acceptance Members. A large number of institutions accept funds through our reload network, using our MoneyPak product. We provide reload services to over 100 third-party prepaid card programs, including programs offered by H&R Block, AccountNow and Jackson Hewitt. MasterCard s

RePower Reload Network also uses the Green Dot Network to facilitate cash reloads for its own member programs. Furthermore, in February 2009, we entered into a five-year agreement with PayPal that enables PayPal customers to use a MoneyPak to fund a new or existing PayPal account. To date, we have not generated significant operating revenues from our relationship with PayPal. As a result of this agreement, consumers without a bank account or credit card are able to fund PayPal accounts.

Other Channels. An increasing portion of our card sales is generated from our online distribution channel and other non-retail channels. We offer Green Dot-branded cards through our website, www.greendot.com. We promote this distribution channel through television and online advertising. Customers who activate their cards through this channel typically receive an unfunded card in the mail and then can reload the card either through a cash reload or a payroll direct deposit transaction. In October 2009, we entered into a joint marketing and referral agreement with Intuit. Under this agreement, Intuit customers can elect to receive their tax refunds via a co-branded card that we manage.

Our Products and Services

Our principal products and services consist of Green Dot-branded and co-branded GPR cards and MoneyPak and POS swipe reload transactions facilitated by the Green Dot Network. We also service general purpose gift cards, which have historically represented only a small percentage of our operating revenues. The GPR cards we offer are issued primarily by Columbus Bank and Trust Company and, in the case of certain of our co-branded cards discussed below, GE Money Bank. Card balances are FDIC-insured and have either Visa or MasterCard zero liability card protection.

Card Products

Green Dot-Branded GPR Cards. Our Green Dot-branded GPR cards provide consumers with an affordable and convenient way to manage their money and make payments without undergoing a credit check or possessing a pre-existing bank account. In addition to standard prepaid Visa or MasterCard-branded GPR cards, we also offer GPR cards marketed for a specific use or market, such as our Online Shopping card, our Prepaid Student card and our Prepaid NASCAR card.

We offer these GPR cards to consumers in approximately 50,000 retail store locations in 49 states, including those of Walgreens, CVS, Rite Aid, 7-Eleven and Kroger. We also offer our GPR cards online through our web site, www.greendot.com. To purchase a GPR card, consumers typically select the GPR card from an in-store display and pay the cashier a one-time purchase fee plus the initial amount they would like to reload onto their card. Consumers then go online or call a toll-free number to register their personal information with us so that we can activate their temporary prepaid card and mail them a personalized GPR card. As explained below, consumers can then reload their personalized GPR cards using a MoneyPak or, at enabled retailers, via a point-of-sale process, which we refer to as a POS swipe reload transaction. Funds can also be loaded on the card via direct deposit of a customer s government or payroll check.

Our GPR cards are issued as Visa- or MasterCard-branded cards and are accepted worldwide by merchants and other businesses belonging to the applicable payment network, including for bill payments, online shopping, everyday store purchases and ATM withdrawals. As of December 31, 2009, Visa and MasterCard each were accepted at approximately 29 million acceptance locations worldwide. As of December 31, 2009, our cardholders could complete ATM transactions at approximately 1.4 million Visa PLUS or 900,000 MasterCard Cirrus ATMs worldwide, including over 17,000 MoneyPass fee-free ATMs in all 50 states and Puerto Rico.

We have instituted a simple fee structure that includes a new card fee (if the card is purchased from one of our retail distributors), a monthly maintenance fee (which may be waived based on usage), a cash reload fee and an ATM withdrawal fee for non-MoneyPass ATMs. Most of the features and functions of our cards are provided without surcharges. Our free services include account management and balance inquiry services via the Internet, telephone and mobile applications. In addition, via an online tool, we allow cardholders to manage household and other bills and to make payments to companies or individuals.

For regulatory compliance, risk management, operational and other reasons, our GPR cards and reload products have certain limitations and restrictions, including but not limited to maximum dollar reload amounts, maximum numbers of reloads in a given time period (e.g., per day), and limitations of uses of our temporary cards versus our permanent personalized cards.

Co-Branded GPR Cards. We provide co-branded GPR cards on behalf of certain retail distributors and other business entities. Co-branded cards generally bear the trademarks or logos of the retail distributor or business entity, and our trademark on the packaging and back of the card. These cards have the same features and characteristics as our Green Dot-branded GPR cards, and are accepted at the same locations. We typically are responsible for managing all aspects of these programs, including strategy, product design, marketing, customer service and operations/compliance. Representative co-branded cards include the Walmart MoneyCard, the TurboTax Refund Card, the Kmart Prepaid Visa and MasterCard cards and the Meijer Prepaid MasterCard.

Reload Services

We generate cash transfer revenues when consumers purchase our reload services. We offer consumers affordable and convenient ways to reload any of our GPR cards and to conduct other cash loading transactions through our reload network, using our MoneyPak product or through retailers specially enabled POS devices. MoneyPak is offered in all of the retail locations where our GPR cards are sold. MoneyPak is a cash reload product that we market on a display like our Green Dot-branded GPR cards. Cash reloads using a MoneyPak involve a two-step process: consumers pay the cashier the desired amount to be reloaded, plus a service fee, and then go online or call a toll-free number to submit the MoneyPak number and add the funds to a GPR card or other account, such as a PayPal account. Alternatively, at many retail locations, consumers can add funds directly to their Green Dot-branded and co-branded cards at the point of sale through a POS swipe reload transaction. Unlike a MoneyPak, these POS swipe reload transactions involve a single-step process: consumers pay the cashier the desired amount to be reloaded, plus a service fee, and funds are reloaded onto the GPR card at the point of sale without further action required on the part of the consumer.

Our Technology Platform Green PlaNET

Green PlaNET is our technology platform that enables our network participants to communicate with us in a real-time, secure environment. Green PlaNET is a centralized, client-server based processing system that gives us the ability to centrally develop and distribute product applications, manage customer accounts, authorize, process and settle transactions, ensure security and regulatory compliance, and provide customer services across a variety of points of contact and technologies.

Green PlaNET enables Green Dot cardholders to activate and use their card accounts for a variety of transactions, such as cash loads and online bill payments. Green PlaNET also provides a single and secure point of integration for all our network participants, enabling them to communicate with us and our customers and facilitating the initiation, authorization and settlement of transactions.

Green PlaNET has the following components:

The Green PlaNET front-end processing system communicates with the host systems of retail distributors and network acceptance members through a proprietary application programming interface, or API, and runs a variety of proprietary and third-party software applications that facilitate the purchase of a card at a retail location as well as the loading of cash onto a card or MoneyPak. It enables our reload network to interoperate with funds transfer networks and engages in real-time transaction verification so that cards do not exceed applicable limits, thus ensuring compliance with our anti-money laundering program.

The Green PlaNET back-end processing system runs a variety of proprietary and third-party software applications that enable the activation, daily use and maintenance of our cardholder accounts. It executes a variety of transaction-enabling processes and initiates several customer verification modules, such as internally developed anti-money laundering, Know Your Customer and Office of Foreign Assets Control requirements, and external data requests from outsourced vendors, such as Experian and LexisNexis, that together ensure compliance with all federal requirements for the opening of a new account. It interfaces with our database to generate account statements and initiate account notification communications, such as emails and text messages. It also enables our cards to interoperate with Visa, MasterCard and other payment or funds transfer networks, interacts with the systems of other processors and executes back-end batch processes, such as transaction fee calculations, charge-back transactions, retailer invoicing and account write-offs, that facilitate the daily accounting, reconciliation and settlement of transactions and account activity. In addition, the Green PlaNET back-end processing system houses a variety of security applications that provide customer and card data encryption, fraud monitoring, information security administration and firewalls that protect the Green PlaNET infrastructure.

The Green PlaNET customer-facing systems include a service processing system and various communication systems. The Green PlaNET service processing system includes several customer relationship management software applications that operate a variety of support services, providing real-time account history access and pending transaction data, contact information, personal identification number request and issuance services and balance inquiry applications. It also enables consumers to direct cash transfers using our MoneyPak product. In addition, Green PlaNET provides our consumers, retail distributors and network acceptance members with the ability to communicate with us and access accounts using a variety of technologies. These technologies integrate with our customer care applications and allow us, among other things, to address customer inquiries and automatically prompt customer support agents to sell upgrades and make cross-sales. We have also integrated Green PlaNET with our website, www.greentdot.com, to provide a full range of interactive services, including online card sales, full activation and personalization services, electronic funds transfers, and access to account histories and management services.

Sales and Marketing

The primary objective of our sales and marketing efforts is to educate consumers on the utility of our products and services in order to generate demand, and to instruct consumers on where they may purchase our products and services. We also seek to educate existing customers on the use of our products and services to encourage use and retention of our products. We accomplish these objectives through various types of consumer-oriented marketing and advertising and by expanding our group of retail distributors to gain access to additional customers.

Marketing to Consumers

We believe that our marketing efforts to consumers are fundamental to the success of our business. We market our products to a broad group of consumers, ranging from never-banked to fully-banked consumers. We are focusing our current sales and marketing efforts on customer acquisition, enhancing our brand and image, building market awareness of our products, improving cardholder retention and increasing card usage. To achieve these objectives, we highlight to consumers the core benefits of our products, which we believe are affordability, access to funds, utility, convenience, transparency and security.

Our marketing campaigns involve creating a compelling in-store presence and conducting television advertising, retailer promotions such as newspaper inserts and circulars, online advertisements, and co-op advertising with select retail distributors. We focus on raising brand awareness while educating our customers.

We also design, and provide to our retail distributors for use in their stores, innovative packaging and in-store displays that we believe generate consumer interest and differentiate our products from

other card products on their racks. Our packaging and displays help ensure that our products are promoted in a consistent, visual manner that is designed to invite consumers to browse and learn about our products, and thus to increase our sales opportunities. This packaging is designed to establish a connection with consumers, which we believe increases the likelihood that they will buy our products.

We employ a number of strategies to improve cardholder retention and increase card usage. These strategies are based on research we conduct on an ongoing basis to understand consumer behavior and improve consumer loyalty and satisfaction. For example, we use our points of contact with customers (e.g., our website, email, IVR and mobile applications) to educate our customers and promote new card features. We also provide incentives for behaviors, such as cash reloading, establishing payroll direct deposit and making frequent purchases with our cards, that we believe increase cardholder retention.

Marketing to Retail Distributors

When marketing to potential new retail distributors, we highlight the key benefits of our products, including our national brand, our in-store presence and merchandising expertise, our cash reload network, the profitability to them of our products and our commitment to national television and other advertising. In addition, we communicate the peripheral benefits of our products, such as their ability to generate additional foot traffic and sales in their stores.

Marketing to Our Network Acceptance Members

We market our reload network to a broad range of banks, third-party processors, program managers and others that have uses for our reload network s cash transfer technology. When marketing to potential network acceptance members, we highlight the key benefits of our cash loading network, including the breadth of our distribution capabilities, our leadership position in the industry, the profitability to them of our products, consumer satisfaction and our commitment to national television and other advertising and marketing support.

Customer Service

We provide customer service for all GPR card and gift card programs that we manage and for MoneyPak on a 24-hour per day, 365-day per year basis, primarily through third-party service providers in Guatemala and the Philippines, and also through our staff in the United States. All card activations, reloads, support and lost/stolen inquiries are handled online and through various toll-free numbers at these locations. We also operate our own call center at our headquarters for handling customer and corporate escalations. Customer service is provided in both English and Spanish.

Competition

We operate in highly competitive and still developing markets, which we expect to become increasingly competitive in the future. In addition to the direct competitors described below, we compete for access to retail distribution channels and for the attention of consumers at the retail level.

Prepaid Card Issuance and Program Management

We compete against the full spectrum of providers of GPR cards. We compete with traditional providers of financial services, such as banks that offer demand deposit accounts and card issuers that offer credit cards, private label retail cards and gift cards. Many of these institutions are substantially larger and have greater resources, larger and more diversified customer bases and greater brand recognition than we do. Many of these companies can also leverage their extensive customer bases and adopt aggressive pricing policies to gain market share. Our primary competitors in the prepaid card issuance and program management market are traditional credit, debit and prepaid card account issuers and prepaid card program managers like First Data, Netspend, AccountNow, PreCash, Rush Card, Western Union and MoneyGram. Our Green-Dot branded cards also compete with our co-branded GPR cards, such as the Walmart MoneyCard.

We believe that the principal competitive factors for the prepaid card issuance and program management market include:

- breadth of distribution;
- brand recognition;
- the ability to reload funds;
- compliance and regulatory capabilities;
- enterprise-class and scalable IT;
- customer support capabilities; and
- pricing.

We believe our products compete favorably on each of these factors.

Reload Networks

While we believe our Green Dot Network is the leading reload network for prepaid cards in the United States, a growing number of companies are attempting to establish and grow their own reload networks. In this market, new companies, or alliances among existing companies, may be formed that rapidly achieve a significant market position. Many of these companies are substantially larger than we are and have greater resources, larger and more diversified customer bases and greater name recognition than we do. Our primary competitors in the reload services market are: Visa, MasterCard, Western Union, MoneyGram, Blackhawk and Netspend. Visa and MasterCard each have broad brand recognition and a large base of merchant acquiring and card issuing banks. Western Union, MoneyGram, Blackhawk and Netspend each have a national network of retail and/or agent locations. In addition, we compete for consumers and billers with financial institutions that provide their retail customers with billing, payment and funds transfer services. Many of these institutions are substantially larger and have greater resources, larger and more diversified customer bases and greater brand recognition than we do.

We believe that the principal competitive factors for reload network services include:

- the number and quality of retail locations;
- brand recognition;
- product and service functionality;
- number of cardholders and customers using the service;
- reliability of the service;
- retail price;

enterprise-class and scalable IT;

ability to integrate quickly with multiple payment platforms and distributors;

customer support capabilities; and

compliance and regulatory capabilities.

We believe the Green Dot Network competes favorably on each of these factors.

Prepaid Card Distribution

We compete against the full spectrum of prepaid card distributors and third-party processors that sell competing prepaid card programs through retail and online channels. Many of these institutions are substantially larger and have greater resources, larger and more diversified customer bases and greater brand recognition than we do. Many of these companies can also leverage their extensive customer bases and adopt aggressive pricing policies to gain market share. As new payment methods are developed, we also expect to experience competition from new entrants. Our primary competitors in the prepaid card distribution market are: InComm, Blackhawk, First Data, Netspend and AccountNow. In addition, we face potential competition from Western Union, MoneyGram and a number of retail banks if they enter this market.

We believe that the principal competitive factors for the prepaid card distribution market include:

- brand recognition with consumers and retailers;
- the ability to reload funds;
- ability to develop and maintain strong relationship with retail distributors;
- compliance and regulatory capabilities;
- pricing; and
- large customer base.

We believe our products compete favorably on each of these factors.

Intellectual Property

We rely on a combination of trademark and copyright laws and trade secret protection in the United States, as well as confidentiality procedures and contractual provisions, to protect the intellectual property rights related to our products and services.

We own several trademarks, including Green Dot, MoneyPak and the Green Dot logo. These assets are essential to our business. Through agreements with our network acceptance members, retail distributors and customers, we authorize and monitor the use of our trademarks in connection with their activities with us.

We have one patent application under consideration in the United States related to the retail packaging of our cards.

Regulation

Compliance with legal and regulatory requirements is a highly complex and integral part of our day-to-day operations. Our products and services are generally subject to federal, state and local laws and regulations, including:

- anti-money laundering laws;
- money transfer and payment instrument licensing regulations;
- escheatment laws;

- privacy and information safeguard laws;
- bank regulations; and
- consumer protection laws.

These laws are often evolving and sometimes ambiguous or inconsistent, and the extent to which they apply to us or the banks that issue our cards, our retail distributors, our network acceptance members or our third-party processors is at times unclear. Any failure to comply with applicable law either by us or by the card issuing banks, retail distributors, network acceptance members or third-party processors, over which we have limited legal and practical control could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties and the suspension or revocation of a license or registration required to sell our products and services. See Risk Factors for additional discussion regarding the potential impacts of changes in laws and regulations to which we are subject and failure to comply with existing or future laws and regulations.

We continually monitor and enhance our compliance program to stay current with the most recent legal and regulatory changes. We also continue to implement policies and programs and to adapt our business practices and strategies to help us comply with current legal standards, as well as with new and changing legal requirements affecting particular services or the conduct of our business generally. These programs include dedicated compliance personnel and training and monitoring programs, as well as support and guidance to our retail distributors and network acceptance members on compliance programs.

Anti-Money Laundering Laws

Our products and services are generally subject to federal anti-money laundering laws, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, and similar state laws. On an ongoing basis, these laws require us, among other things, to:

- report large cash transactions and suspicious activity;
- screen transactions against the U.S. government s watch-lists, such as the watch-list maintained by the Office of Foreign Assets Control;
- prevent the processing of transactions to or from certain countries, individuals, nationals and entities;
- identify the dollar amounts loaded or transferred at any one time or over specified periods of time, which requires the aggregation of information over multiple transactions;
- gather and, in certain circumstances, report customer information;
- comply with consumer disclosure requirements; and
- register or obtain licenses with state and federal agencies in the United States and seek registration of our retail distributors and network acceptance members when necessary.

Anti-money laundering regulations are constantly evolving. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures to make our business practices flexible, so we can comply with the most current legal requirements. We cannot predict how these future regulations might affect us. Complying with future regulation could be expensive or require us to change the way we operate our business. For example, in June 2010, FinCEN published for comment proposed new rules that, if adopted as proposed, would establish a more comprehensive regulatory framework for access to prepaid financial services. As currently drafted, the proposed rules would significantly change the way customer data is collected for certain prepaid products (including our cards) by shifting the point of collection to our retail distributors. We believe that, if the rules are adopted as currently proposed, we and our retail distributors would need to modify operational elements of our product offering to comply with the proposed rules. If we or any of our retail distributors were unwilling or unable to make any required operational changes to comply with the proposed rules as adopted, we would no longer be able to sell our cards through that noncompliant retail distributor, which could have a material adverse effect on our business, financial position and results of operations.

We are voluntarily registered with FinCEN as a money service business. As a result of being so registered, we are required to establish anti-money laundering compliance programs that include: (i) internal policies and controls; (ii) designation of a compliance officer; (iii) ongoing employee training and (iv) an independent review function. We have developed and deployed compliance programs comprised of policies, procedures, systems and internal controls to monitor and address various aspects of legal requirements and developments. To assist in managing and monitoring money laundering risks, we continue to enhance our anti-money laundering compliance program. We offer our services largely through our retail distributor and network acceptance member relationships. We have developed an anti-money laundering training manual and a program to assist in educating our retail distributors on applicable anti-money laundering laws and regulations.

Money Transfer and Payment Instrument Licensing Regulations

We are subject to money transfer and payment instrument licensing regulations. We have obtained licenses to operate as a money transmitter in 39 U.S. jurisdictions. The remaining U.S. jurisdictions either do not currently regulate money transmitters or have rendered a regulatory determination or a legal interpretation that the money services laws of that jurisdiction do not require us to obtain a license in connection with the conduct of our business. As a licensee, we are subject to certain restrictions and requirements, including reporting, net worth and surety bonding requirements and requirements for regulatory approval of controlling stockholders, agent locations and consumer forms and disclosures. We are also subject to inspection by the regulators in the jurisdictions in which we are licensed, many of which conduct regular examinations.

In addition, we must at all times maintain permissible investments in an amount equivalent to all outstanding payment obligations. While, technically, the outstanding payment obligations represented by the balances on our card products are liabilities of the issuing bank and not us, it is possible that some states will require us to maintain permissible investments in an amount equal to the outstanding payment obligations of the bank that issues our cards. The types of securities that are considered permissible investments vary from state to state, but generally include cash and cash equivalents, U.S. government securities and other highly rated debt instruments.

Escheatment Laws

Unclaimed property laws of every U.S. jurisdiction require that we track certain information on our card products and services and that, if customer funds are unclaimed at the end of an applicable statutory abandonment period, the proceeds of the unclaimed property be remitted to the appropriate jurisdiction. We have agreed with the banks that issue our cards to manage escheatment law compliance with respect to our card products and services and have an ongoing program to comply with those laws. Statutory abandonment periods applicable to our card products and services typically range from three to seven years.

Privacy and Information Safeguard Laws

In the ordinary course of our business, we collect certain types of data, which subjects us to certain privacy and information security laws in the United States, including, for example, the Gramm-Leach-Bliley Act of 1999, or the GLB Act, and other laws or rules designed to regulate consumer information and mitigate identity theft. We are also subject to privacy laws of various states. These state and federal laws impose obligations with respect to the collection, processing, storage, disposal, use and disclosure of personal information, and require that financial institutions have in place policies regarding information privacy and security. In addition, under federal and certain state financial privacy laws, we must provide notice to consumers of our policies and practices for sharing nonpublic information with third parties, provide advance notice of any changes to our policies and, with limited exceptions, give consumers the right to prevent use of their nonpublic personal information and disclosure of it to unaffiliated third parties. Certain state laws may, in some circumstances, require us to notify affected individuals of security breaches of computer databases that contain their personal information. These laws may also require us to notify state law enforcement, regulators or consumer reporting agencies in the event of a data breach, as well as businesses and governmental agencies that own data. In order to comply with the privacy and information safeguard laws, we have confidentiality/information security standards and procedures in place for our business activities and with network acceptance members and our third-party vendors and service providers. Privacy and information security laws evolve regularly, requiring us to adjust our compliance program on an ongoing basis and presenting compliance challenges.

Bank Regulations

All of the GPR cards that we provide and the Walmart gift cards we service are issued by either a federally- or state-chartered bank. Thus, we are subject to the oversight of the regulators for, and certain laws applicable to, these card issuing banks. These banking laws require us, as a servicer to the banks that issue our cards, among other things, to undertake compliance actions similar to those described under Anti-Money Laundering Laws above and to comply with the privacy regulations promulgated under the GLB Act as discussed under Privacy and Information Safeguard Laws above.

In addition, in February 2010, we entered into a definitive agreement to acquire a bank holding company and its subsidiary commercial bank, and filed applications with the appropriate federal and state regulators seeking approval for this transaction. Should we complete our pending bank acquisition, we will become a bank holding company as provided in the BHC Act. Bank holding companies and banks are subject to supervision by the Federal Reserve Board and are extensively regulated under federal and state laws. In general, this supervision and regulation will increase our compliance costs and other expenses, as we and our new subsidiary bank will be required to undergo regular on-site examinations and to comply with additional reporting requirements. In addition, bank holding companies are subject to certain restrictions on their business and activities, although we do not believe our current or currently proposed business will be restricted materially, if at all, by these restrictions.

Activities. Federal laws restrict the types of activities in which bank holding companies may engage, and subject them to a range of supervisory requirements, including regulatory enforcement actions for violations of laws and policies. Bank holding companies may engage in the business of banking and managing and controlling banks, as well as closely related activities. The business activities that we currently conduct are permissible activities for bank holding companies under U.S. law, and we do not expect the limitations described above will adversely affect our current operations or materially prohibit us from engaging in activities that are currently contemplated by our business strategies. It is possible, however, that these restrictions might limit our ability to enter other businesses in which we may wish to engage at some time in the future. It is also possible that in the future these laws may be amended in ways, or new laws or regulations may be adopted, that adversely affect our ability to engage in our current or additional businesses.

Even if our activities are permissible for a bank holding company, as discussed under Capital Adequacy and Prompt Corrective Action below, the Federal Reserve Board has the authority to order a bank holding company or its subsidiaries to terminate any activity or to require divestiture of ownership or control of a subsidiary in the event that it has reasonable cause to believe that the activity or continued ownership or control poses a serious risk to the financial safety, soundness or stability of the bank holding company or any of its bank subsidiaries.

Dividend Restrictions. Bank holding companies are subject to various restrictions that may affect their ability to pay dividends. Federal and state banking regulations applicable to bank holding companies and banks generally require that dividends be paid from earnings and, as described under Capital Adequacy and Prompt Corrective Action below, require minimum levels of capital, which limits the funds available for payment of dividends. Other restrictions include the Federal Reserve Board s general policy that bank holding companies should pay cash dividends on common stock only out of net income available to stockholders over the past year and only if the prospective rate of earnings retention is consistent with the organization s expected future needs and financial condition, including the needs of each of its bank subsidiaries. In the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policies and has discouraged dividend pay-out ratios that are at the 100% level unless both their asset quality and capital are very strong. A bank holding company also should not maintain a dividend level that places undue pressure on the capital of its bank subsidiaries, or that may undermine the bank holding company s ability to serve as a source of strength for its bank subsidiaries. See Source of Strength below.

In addition, various federal and state statutory provisions and regulations limit the amount of dividends that banks may pay. We expect that our new state-chartered bank subsidiary will become a member of the Federal Reserve System following completion of our pending bank acquisition. State-chartered banks that are members of the Federal Reserve System may not pay dividends in an amount that exceeds the lesser of the amounts calculated under a recent earnings test and an undivided profits test. Under the recent earnings test, a bank may not pay a dividend if the total of all dividends it declares in any calendar year is in excess of the current year s net income combined with the retained net income of the two preceding years, unless the bank obtains the approval of its chartering authority. Under the undivided profits test, a bank may not pay a dividend in excess of its undivided profits.

Capital Adequacy and Prompt Corrective Action. Bank holding companies and banks are subject to various federal requirements relating to capital adequacy. These include meeting minimum leverage ratio requirements. As a bank holding company, we will be required to be well-capitalized, meaning we will need to maintain a ratio of Tier 1 capital to assets of at least 5%, a ratio of Tier 1 capital to risk-weighted assets of at least 6% and a ratio of total capital to risk-weighted assets of at least 10%. Tier 1 capital, or core capital, generally consists of common stockholders equity, perpetual non-cumulative preferred stock and, up to certain limits, other capital elements. Tier 2 capital consists of supplemental capital items such as the allowance for loan and lease losses, certain types of preferred stock, hybrid capital securities and certain types of debt, all subject to certain limits. Total capital is the sum of Tier 1 capital plus Tier 2 capital. When measuring compliance with certain of these capital requirements, bank regulators adjust the asset values in accordance with their perceived risk. We believe that we and our new bank subsidiary will be well capitalized under these standards and we will be able to maintain these ratios in future periods. It is possible, however, that regulators may require us or our new bank subsidiary to maintain higher levels of capital in the future, and there can be no assurance that we will be able to maintain the required ratios in future periods.

Under the regulatory framework that Congress has established and bank regulators have implemented, banks are either well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapital
Banks are generally subject to greater restrictions and supervision than bank holding companies, and these restrictions increase as the financial condition of the bank worsens. For instance, a bank that is not well-capitalized may not accept, renew or roll over brokered deposits without the consent of the FDIC. If our new subsidiary bank were to become less than adequately capitalized, the bank would need to submit to bank regulators a capital restoration plan that was guaranteed by us, as its bank holding company. The bank would also likely become subject to broad restrictions on activities, including establishing new branches, entering into new lines of business or conducting activities that have the effect of limiting asset growth or preventing acquisitions. A bank that is undercapitalized would also be prohibited from making capital distributions, including dividends, and from paying management fees to its bank holding company if the institution would be undercapitalized after any such distribution or payment. A significantly undercapitalized institution would be subject to mandatory capital raising activities, restrictions on interest rates paid and transactions with affiliates, removal of management and other restrictions. The FDIC has only very limited discretion in dealing with a critically undercapitalized institution and is virtually required to appoint a receiver or conservator.

Source of Strength. Under Federal Reserve Board policy, bank holding companies are expected to act as a source of strength to their bank subsidiaries and to commit capital and financial resources to support them. This support may theoretically be required by the Federal Reserve Board at times when the bank holding company might otherwise determine not to provide it. As noted above, if a bank becomes less than adequately capitalized, it would need to submit an acceptable capital restoration plan that, in order to be acceptable, would need to be guaranteed by the parent holding company. In the event of a bank holding company s bankruptcy, any commitment by the bank holding

company to a federal bank regulator to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

Acquisitions of Bank Holding Companies. Under the BHC Act and the Change in Bank Control Act, and their implementing regulations, Federal Reserve Board approval is necessary prior to any person or company acquiring control of a bank or bank holding company, subject to certain exceptions. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities, and may be presumed to exist if a person acquires 10% or more of any class of voting securities. These restrictions could affect the willingness or ability of a third party to acquire control of us following completion of our pending bank acquisition and for so long as we are a bank holding company.

Deposit Insurance and Deposit Insurance Assessments. Deposits accepted by banks, such as our new bank subsidiary, have the benefit of FDIC insurance up to the applicable limits. The FDIC s Deposit Insurance Fund is funded by assessments on insured depository institutions, the level of which depends on the risk category of an institution and the amount of insured deposits that it holds. These rates currently range from 7 to 77.5 basis points on deposits. The FDIC may increase or decrease the assessment rate schedule semi-annually, and has in the past required and may in the future require banks to prepay their estimated assessments for future periods. Because of the current stress on the FDIC s Deposit Insurance Fund resulting from the banking crisis, those fees have increased and are likely to stay at a relatively high level.

Community Reinvestment Act. The Community Reinvestment Act of 1977, or CRA, and the regulations promulgated by the FDIC to implement the CRA are intended to ensure that banks meet the credit needs of their respective service areas, including low and moderate income communities and individuals, consistent with safe and sound banking practices. The CRA regulations also require the banking regulatory authorities to evaluate a bank s record in meeting the needs of its service area when considering applications to establish new offices or consummate any merger or acquisition transaction. The federal banking agencies are required to rate each insured institution s performance under the CRA and to make that information publicly available. Our new subsidiary bank intends to comply with the CRA through investments and other activities that it believes will benefit the needs of low and moderate income communities. If banking regulatory authorities do not approve the bank s compliance plan, the bank could be required to engage in lending and other community outreach activities in the community in which it is located.

Restrictions on Transactions with Affiliates and Insiders. Transactions between a bank and its nonbanking affiliates are regulated by the Federal Reserve Board. These regulations limit the types and amount of these transactions, require certain levels of collateral for loans to affiliated parties and generally require those transactions to be on an arm s-length basis. As a bank holding company, our transactions with our new subsidiary bank could be limited by these regulations, although we do not anticipate that these restrictions will adversely affect our ability to conduct our current operations or materially prohibit us from engaging in activities that are currently contemplated by our business strategies.

Other. The policies of regulatory authorities, including the monetary policy of the Federal Reserve Board, have a significant effect on the operating results of bank holding companies and their subsidiaries. The U.S. Congress is considering various proposals relating to the activities and supervision of banks and bank holding companies, some of which could materially affect our operations and those of the bank we are seeking to acquire. Although there can be no assurance regarding the ultimate impact that adoption of these proposals will have on us, if the proposals are enacted, we expect that the benefits we seek to realize from our pending bank acquisition will be reduced.

Consumer Protection Laws

We are subject to state and federal consumer protection laws, including laws prohibiting unfair and deceptive practices, regulating electronic fund transfers and protecting consumer nonpublic information. We believe that we have appropriate procedures in place for compliance with these consumer protection laws, but many issues regarding our service have not yet been addressed by the federal and state agencies charged with interpreting the applicable laws.

Although not expressly required to do so under the Electronic Fund Transfer Act and Regulation E of the Federal Reserve Board, we disclose, consistent with banking industry practice, the terms of our electronic fund transfer services to consumers prior to their use of the service, provide 21 days advance notice of material changes, establish specific error resolution procedures and timetables, and limit customer liability for transactions that are not authorized by the consumer.

Card Associations

In order to provide our products and services, we, as well as the banks that issue our cards, must register with Visa and MasterCard and, as a result, are subject to card association rules that could subject us to a variety of fines or penalties that may be levied by the card association or network for certain acts or omissions. The banks that issue our cards are specifically registered as members of the Visa and/or MasterCard card associations. Visa and MasterCard set the standards with which we and the card issuing banks must comply.

Employees

As of March 31, 2010, we had 289 employees, including 250 in general and administrative, 32 in sales and marketing and 7 in research and product development. None of our employees is represented by a labor union or is covered by a collective bargaining agreement. We have never experienced any employment-related work stoppages and consider relations with our employees to be good. As of March 31, 2010, we also had arrangements with third-party call center providers in Guatemala and the Philippines that provided us with approximately 690 contractors for customer service and similar functions.

Facilities

We lease approximately 56,000 square feet in Monrovia, California for our corporate headquarters, pursuant to a noncancelable lease agreement for approximately 49,000 square feet that expires in September 2012 and a sub-lease agreement for approximately 7,000 square feet that expires in December 2011. We believe our space is adequate for our current needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our operations.

Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We are not currently a party to any material legal proceedings, and to our knowledge none is threatened.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of March 31, 2010:

Name	Age	Position(s)
Steven W. Streit	48	Chairman, President and Chief Executive Officer
Mark T. Troughton	41	President, Cards and Network
John L. Keatley	36	Chief Financial Officer
John C. Ricci	44	General Counsel and Secretary
William D. Sowell	44	Chief Operating Officer
Kenneth C. Aldrich*	71	Director
Timothy R. Greenleaf(1)	53	Director
Virginia L. Hanna(1)(2)(3)	59	Director
Michael J. Moritz(2)(3)	55	Director
William H. Ott, Jr.(1)	58	Director
W. Thomas Smith, Jr.(2)(3)	63	Director

* Lead independent director.

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating and governance committee.

Steven W. Streit is our founder, and has served as our President and a director since October 1999, our Chief Executive Officer since January 2001 and our Chairman since February 2010. He also served as our Secretary from October 1999 to April 2000 and as our Treasurer from October 1999 to April 2004. From 1983 to 1999, Mr. Streit worked in the radio broadcasting industry, including serving as a Vice President of Programming at AMFM, a publicly-traded radio broadcast group. We believe Mr. Streit should serve as our Chairman based on the perspective and experience he brings to our board of directors as our President and Chief Executive Officer and our founder, which adds historical knowledge, operational expertise and continuity to our board of directors.

Mark T. Troughton has served as our President, Cards and Network, since February 2007. From June 2003 to July 2004, he served as our Executive Vice President, Business Development, and from July 2004 to February 2007, he served as our Chief Operating Officer and Executive Vice President of Corporate Strategy. Prior to joining Green Dot, Mr. Troughton was Vice President, Marketplace Services for Quadrem.com, an Internet procurement company. Mr. Troughton s prior experience also includes a four-year tenure at McKinsey & Company, a management consulting firm, where he served in various capacities, including most recently as Engagement Manager. Mr. Troughton started his career as a Chartered Accountant and entrepreneur in South Africa. He holds a BCom, a BCom (Hons) and an MCom, each in finance, accounting or related subjects, from the University of Cape Town (South Africa).

John L. Keatley has served as our Chief Financial Officer since October 2006. From May 2005 to October 2006, he served as our Vice President, Finance, and from August 2004 to May 2005, he served as our Director, Financial Planning & Analysis. Prior to joining Green Dot, Mr. Keatley served in various positions at McKinsey & Company, a management consulting firm, from October 2001 to July 2004, most recently as Engagement Manager. Mr. Keatley holds an A.B. in physics from Princeton University and an M.B.A. from Harvard Business School.

John C. Ricci has served as our General Counsel since June 2004 and our Secretary since April 2003. From April 2003 to June 2004, he served as our Director of Legal Affairs. Prior to joining Green Dot, Mr. Ricci was an associate at the law firm of Strategic Law Partners, LLP from November 1999 to June 2002. Mr. Ricci began his career as an attorney in the Enforcement Division of the SEC. Mr. Ricci holds a B.A. in economics and political science from the University of California at San Diego and a J.D. from Loyola Law School.

William D. Sowell has served as our Chief Operating Officer since March 2009. Prior to joining Green Dot, Mr. Sowell served in a number of positions at GE Money, a financial services company, from March 1998 to January 2006, most recently as Vice President, Prepaid Products. From May 1998 to March 2000, Mr. Sowell also served as a Master Black Belt (Vice President, Quality) at GE Mortgage Services, a mortgage servicing company. Mr. Sowell holds a B.S. in electronic engineering technology from East Tennessee State University and an M.B.A. from Southern Methodist University.

Kenneth C. Aldrich has served on our board of directors since January 2001. Mr. Aldrich is currently Chairman of the Board of International Stem Cell Corporation, a biotechnology company focused on developing therapeutic and research products through a proprietary stem cell technology. He has served in that position since January 2008 and previously from January 2001 through June 2006. Mr. Aldrich has also served as President of The Aldrich Company, a real estate investment firm, since June 1975, and on the board of directors of WaveTec Vision Systems, Inc. since January 1999. Mr. Aldrich previously served on the boards of directors of Encode Bio, Inc. and International Stem Cell Corporation. Mr. Aldrich holds an A.B. in history and literature from Harvard University and a J.D. from Harvard Law School. We believe Mr. Aldrich should serve as a member of our board of directors based on his extensive corporate management experience, including serving as the chief executive officer of a publicly-held company and the chief financial officer of another publicly-held company, and his experience with the organizational challenges involved with becoming a publicly-held company.

Timothy R. Greenleaf has served on our board of directors since January 2001. Mr. Greenleaf has been the Managing Director of Fairmont Capital, Inc., a private equity firm with a focus on investments in middle-market consumer-related businesses, since January 1999. Previously, Mr. Greenleaf was a partner at the law firm of Fulbright & Jaworski L.L.P., specializing in mergers and acquisitions, and tax and corporate structuring. Mr. Greenleaf has served on a number of other boards of directors, including Fairmont Capital, Garden Fresh Restaurant Corp. (Souplantation) and Shari s Management Corp. Mr. Greenleaf holds a dual B.A. in administrative studies and political science from the University of California at Riverside, a J.D. from Loyola Law School and an L.L.M. in taxation from New York University Law School. We believe Mr. Greenleaf should serve as a member of our board of directors based on his experience as a private equity investor, tax attorney and financial advisor, the leadership qualities he brings to our audit committee and the perspective he adds to our board of directors from his service on the boards of directors of other companies.

Virginia L. Hanna has served on our board of directors since April 2002. Ms. Hanna has served as the President and Chief Executive Officer of Hanna Capital Management, Inc., a business management firm, since March 1998, as a Managing Member of Hanna Ventures, LLC, a venture capital firm, since April 1999, and as CEO, President and Managing Member of Hanna Energy, LLC, an energy consulting firm, since December 2009. From 1996 to April 1997, Ms. Hanna was Treasurer and Director of Investor Relations at Intuit Inc., a consumer and small business financial software company. Ms. Hanna served as the Vice President and Treasurer of The Vons Companies, Inc., a supermarket retailer, from 1985 to 1995. Ms. Hanna holds a B.A. in liberal arts from the University of Illinois and an M.B.A. in finance from DePaul University. We believe Ms. Hanna should serve as a member of our board of directors based on her experience as a financial executive at two consumer-focused, publicly-held companies during the period from 1985 to 1997, which provides our board of directors with insights into the areas of corporate finance, cash management and investor relations, and the perspective she brings from her involvement with retailer deployment of card-based payment systems and the design and implementation of electronic point of sale transaction systems in retail environments.

Michael J. Moritz has served on our board of directors since February 2003. Mr. Moritz has been a Managing Member of Sequoia Capital since 1986. He has previously served as a director of a variety of companies, including Flextronics Ltd., Google Inc., PayPal, Inc., Red Envelope, Inc., Saba Software, Inc., Yahoo! Inc. and Zappos.com, Inc. Mr. Moritz holds an M.A. in modern history from Christ Church, Oxford. We believe Mr. Moritz should serve as a member of our board of directors based on the important perspective he brings to our board of directors from his over 25 years of experience in the venture capital industry, providing guidance and counsel to a wide variety of companies, and service on the boards of directors of a range of consumer- or retail-oriented, private and publicly-held companies.

William H. Ott, Jr. has served on our board of directors since January 2010. Since 2003, Mr. Ott has served as the President of PEAC Ventures, Inc., a corporate advisory and consulting firm. From 2002 to 2003, Mr. Ott served as the Chief Operating Officer of Visa U.S.A. Inc. From 1998 to 2002, Mr. Ott served as Group Executive in charge of retail, small business, card services, mortgage and consumer banking, as well as marketing, advertising and operations, for St. George Bank, a commercial bank based in Sydney, Australia. He serves as an advisor to the Ethics and Compliance Officer Association. Mr. Ott previously served as Chairman of E*TRADE Bank and as a director of CashCard Australia. Mr. Ott holds a B.A. in English from San Jose State University and an M.B.A. from Santa Clara University. We believe Mr. Ott should serve as a member of our board of directors based on his experience in senior management roles at large publicly-held domestic, global and international banking companies and at card and retail payments companies, including serving in the positions described above, and the perspective he brings to our board of directors from his experiences as a business consultant and his service on the boards of directors of other companies.

W. Thomas Smith, Jr. has served on our board of directors since April 2001. Mr. Smith founded Total Technology Ventures, LLC, a venture capital firm, and has been its Managing Director since April 2000. Mr. Smith retired from IBM in 2000 after 30 years of service. Mr. Smith also serves on the boards of directors of numerous private companies, including ALI Solutions, E-Duction, Inc. and Silverpop. Mr. Smith holds a B.S. in industrial management from The Georgia Institute of Technology and completed the executive program at Dartmouth College s Amos Tuck School of Business. We believe Mr. Smith should serve as a member of our board of directors based on his extensive management experience, including serving in senior executive positions responsible for sales, service and relationship management, and the perspective he brings to our board of directors from his exposure to the financial services industry during his tenure at IBM.

Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no familial relationships among our directors and officers.

Board of Directors Composition

Under our restated bylaws, our board of directors may set the authorized number of directors. Our board of directors currently consists of seven members. Upon the completion of this offering, our Class A common stock will be listed on the NYSE. The rules of the NYSE require that a majority of the members of our board of directors be independent within a specified time following the completion of this offering. Our board of directors has determined that the following six members of our board of directors are currently independent as determined under the rules of the NYSE Messrs. Aldrich, Greenleaf, Moritz, Ott and Smith and Ms. Hanna.

Pursuant to an investors rights agreement, as amended through February 2010, Messrs. Aldrich, Greenleaf, Moritz, Ott, Smith and Streit and Ms. Hanna were designated to serve as members of our board of directors. Pursuant to that agreement, Messrs. Aldrich, Ott and Smith and Ms. Hanna were selected as the representatives of our preferred stock, as a class, Mr. Moritz was selected as the representative of our Series C, C-1 and C-2 Preferred Stock and the remaining members of our board of directors were selected by all of the holders of our common stock. The currently serving members of our board of directors will continue to serve as directors until their resignations or until their

successors are duly elected by the holders of our common stock, despite the fact that the investors rights agreement will terminate upon the completion of this offering.

Our board of directors is divided into three classes of directors, who serve staggered three-year terms, as follows:

Class I directors are Messrs. Ott and Smith (current terms expiring in 2011);

Class II directors are Mr. Aldrich and Ms. Hanna (current terms expiring in 2012); and

Class III directors are Messrs. Greenleaf, Moritz and Streit (current terms expiring in 2013).

At each annual meeting of our stockholders, successors to the directors whose terms expire at that meeting will be elected to serve until the third annual meeting after their election or until their successors have been elected. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes serving for the remainder of their respective terms.

Committees of Our Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and governance committee. The composition and responsibilities of each committee are described below. Following the completion of this offering, copies of the charters for each committee will be available, without charge, upon request in writing to Green Dot Corporation, 605 East Huntington Drive, Suite 205, Monrovia, California 91016, Attn: General Counsel or on the investor relations portion of our website, www.greendot.com. Members serve on these committees until their resignations or until otherwise determined by our board of directors.

Audit Committee

Our audit committee is comprised of Mr. Greenleaf, who is the chair of the audit committee, and Ms. Hanna and Mr. Ott. The composition of our audit committee meets the requirements for independence under the current NYSE and SEC rules and regulations. Each member of our audit committee is financially literate as required by current NYSE listing standards. In addition, our board of directors has determined that Mr. Greenleaf is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act based on his experience in the areas of venture capital and private equity investment (including strategic financial analysis), finance and business generally. Our audit committee recommended, and our board of directors adopted, an amended and restated charter for our audit committee, which will be posted on the investor relations portion of our website, www.greendot.com, following the completion of this offering. Our audit committee, among other things:

appoints our independent auditors;

approves the audit and non-audit services to be performed by our independent auditors;

assesses the qualifications, performance and independence of our independent auditors;

monitors the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

reviews the integrity, adequacy and effectiveness of our accounting and financial reporting processes and the adequacy and effectiveness of our systems of internal control;

discusses the results of the audit with the independent auditors and reviews with management and the independent auditors our interim and year-end operating results; and

prepares the audit committee report that the SEC requires in our annual proxy statement.

Compensation Committee

Our compensation committee is comprised of Mr. Smith, who is the chair of the compensation committee, and Ms. Hanna and Mr. Moritz. The composition of our compensation committee meets the requirements for independence under the current NYSE and SEC rules and regulations. Our compensation committee recommended, and our board of directors adopted, a charter for our compensation committee, which will be posted on the investor relations portion of our website, www.greendot.com, following the completion of this offering. Our compensation committee, among other things:

- reviews, approves and makes recommendations to our board of directors regarding the compensation of our executive officers;
- administers and interprets our stock and equity incentive plans;
- reviews, approves and makes recommendations to our board of directors (as our compensation committee deems appropriate) with respect to equity and non-equity incentive compensation plans; and
- establishes and reviews general strategies relating to compensation and benefits of our employees.

Nominating and Governance Committee

Our nominating and governance committee is comprised of Ms. Hanna, who is the chair of the nominating and governance committee, and Messrs. Moritz and Smith. The composition of our nominating and governance committee meets the requirements for independence under the current NYSE and SEC rules and regulations. Our nominating and governance committee recommended, and our board of directors adopted, a charter for our nominating and governance committee, which will be posted on the investor relations portion of our website, www.greendot.com, following the completion of this offering. Our nominating and governance committee, among other things:

- identifies, evaluates and recommends nominees to our board of directors and its committees;
- oversees the evaluation of the performance of our board of directors and its committees and of individual directors;
- considers and makes recommendations to our board of directors regarding the composition of our board of directors and its committees;
- reviews our legal compliance policies; and
- makes recommendations to our board of directors concerning our corporate governance guidelines and other corporate governance matters.

Compensation Committee Interlocks and Insider Participation

Since August 1, 2008, the following directors and former directors have at one time been members of our compensation committee: Messrs. Moritz and Smith, Ms. Hanna and a former director, Donald B. Wiener. None of them has at any time been one of our officers or employees. None of our executive officers serves or in the past has served as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on our board of directors or our compensation committee.

Preferred Stock Financings

In December 2008, entities associated with Sequoia Capital purchased 1,181,818 shares of Series C-2 Preferred Stock. Mr. Moritz was then and is currently a Managing Member of Sequoia Capital.

Warrant Exercises

In March 2007, David W. Hanna, Trustee, David William Hanna Trust dated October 30, 1989 exercised warrants to purchase 145,348 shares of our common stock. Mr. Hanna is the spouse of Ms. Hanna.

Director Compensation

The following table provides information for our fiscal year ended July 31, 2009 and the five months ended December 31, 2009 regarding all plan and non-plan compensation awarded to, earned by or paid to each non-employee who served as a director for some portion or all of those periods. In fiscal 2009 and the five months ended December 31, 2009, none of our directors received compensation for his or her services as a director except the chair of our audit committee, who received an equity award, with a grant date fair value of $39,990, for serving in that role during fiscal 2009. Other than reimbursement of reasonable travel and related expenses incurred by non-employee directors in connection with their attendance at meetings of our board of directors and its committees and the payment to Mr. Ott of $3,000 for attending a meeting of our board of directors prior to his appointment as a non-employee director, we did not pay any fees, make any equity or non-equity awards or pay any other compensation to our non-employee directors in fiscal 2009 or in the five months ended December 31, 2009.

Name	**Stock Awards**
Kenneth C. Aldrich	
Timothy R. Greenleaf	$ 39,990(1)
Virginia L. Hanna	
Michael J. Moritz	
William H. Ott, Jr.(2)	
W. Thomas Smith, Jr.	
Michael S. Fisher*	
Donald B. Wiener*	

* Former director.

(1) Represents the grant date fair value of 3,720 fully-vested shares of our common stock that were issued to Mr. Greenleaf as compensation for his services as chair of our audit committee on December 11, 2008 under our 2001 Stock Plan.

(2) Mr. Ott was appointed to our board of directors after the completion of fiscal 2009 and did not receive any compensation for fiscal 2009.

Our non-employee directors, other than those who are prohibited from receiving director compensation pursuant to the policies of their affiliated funds, are compensated with a combination of cash and equity awards. Effective January 1, 2010, the annual retainer fee for service on our board of directors is $20,000 and the additional annual retainer fee for service:

- on our audit committee is $10,000 for the chair of that committee and $5,000 for each of its other members;

- on our compensation committee is $5,000 for the chair of that committee and $3,000 for each of its other members;

on our nominating and corporate governance committee is $5,000 for the chair of that committee and $3,000 for each of its other members; and

as the Lead Independent Director is $5,000.

In addition to cash retainer fees, non-employee directors receive meeting fees of $3,000 for each meeting of our board of directors attended, $1,750 for each meeting of our audit committee attended and $500 for each meeting of our compensation committee or nominating and corporate governance committee attended.

In addition, following the completion of our pending bank acquisition, we intend to compensate any non-employee director who serves on the board of directors or audit committee of our new subsidiary bank. The annual retainer fee for service on the board of directors of our new subsidiary bank will be $10,000, and the additional annual retainer fee for service on the audit committee of our new subsidiary bank will be $5,000 for the chair of the audit committee and $3,000 for each of its other members.

Our board of directors has adopted a non-employee director equity compensation policy for 2010 that provides for the granting of an option to purchase 8,500 shares of common stock under the 2001 Stock Plan (or following this offering, the 2010 Equity Incentive Plan) to any non-employee director who first becomes a member of our board of directors in 2010. In addition, non-employee directors are eligible to receive discretionary awards. The awards granted in connection with commencement of service as a member of our board of directors are fully vested and immediately exercisable as of the grant date.

In addition, non-employee directors who serve on the board of directors or any committee of our new subsidiary bank will receive meeting fees and stock option awards. The per-meeting fee for service on the board of directors of our new subsidiary bank will be $3,000 and for service on the audit committee of our new subsidiary bank will be $750. Non-employee directors will also receive an option to purchase 8,500 shares of common stock pursuant to the terms described above.

Non-employee directors are also eligible for and may elect to receive medical, dental and vision benefits. These benefits are available to our employees, officers and directors generally and in operation provide for the same method of allocation of benefits between management and non-management participants.

Non-employee directors receive no other form of remuneration, perquisites or benefits, but are reimbursed for their expenses in attending meetings, including travel, meal and other expenses incurred to attend meetings solely among the non-employee directors.

In February 2010, in connection with his appointment to our board of directors, we awarded Mr. Ott an option to purchase 17,000 shares of our Class B common stock, with an exercise price of $25.00 per share. This award had a grant date fair value of $208,080. Also in February 2010, we issued 1,600 fully-vested shares of our Class B common stock to Mr. Greenleaf under our 2001 Stock Plan as compensation for his services as chair of our audit committee. This award had a grant date fair value of $40,000.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion describes and analyzes our compensation program for the five executive officers who are identified in the Summary Compensation Table below (our named executive officers). For fiscal 2009 and the five months ended December 31, 2009, our named executive officers were:

Steven W. Streit, Chairman, President and Chief Executive Officer, or CEO;

Mark T. Troughton, President, Cards and Network;

John L. Keatley, Chief Financial Officer;

John C. Ricci, General Counsel and Secretary; and

William D. Sowell, Chief Operating Officer.

Compensation Philosophy and Objectives

Our executive compensation program is designed to:

attract and retain talented and experienced executives;

motivate and reward executives whose knowledge, skills and performance are critical to our success;

link compensation to company performance and individual achievement;

link specific cash-based elements of compensation to our near-term financial performance; and

align the interests of our executive officers and those of our stockholders by providing our executive officers with long-term incentives to increase stockholder value.

We have endeavored to create an executive compensation program that provides a mix of short-term and long-term payments and awards, cash payments and equity awards, and fixed and variable payments and awards that we believe appropriately motivates our executive officers and discourages them from taking excessive or unnecessary risks. We view these components of compensation as related but distinct. Although our compensation committee considers the value of total compensation of our executive officers, neither our board of directors nor our compensation committee believes that significant compensation derived from one component of compensation should negate or reduce compensation derived from other components. Except as described below, neither our compensation committee nor our board of directors has adopted any formal or informal policies or guidelines for allocating total target compensation between short-term and long-term compensation, between cash payments and equity awards or between fixed and variable payments and awards. However, in general, our compensation committee and our board of directors believe a significant portion of the value of total target compensation for each of our named executive officers should be in the form of performance-based compensation. In addition, our compensation committee and our board of directors strive to keep cash compensation at a competitive level while providing executive officers with the opportunity to be well rewarded through equity awards if our company performs well over time.

From time to time, special business conditions may warrant additional compensation to attract, retain or motivate executive officers. Examples of these conditions include the need to recruit or retain individuals with specific or unique talents, and to recognize exceptional contributions. In these situations, we consider our business needs and the potential costs and benefits of special rewards. For instance, in fiscal 2009, we awarded Mr. Sowell a housing and travel allowance under his offer letter.

Historical Compensation Decision Process

Our compensation committee oversees the compensation of our named executive officers and our executive compensation programs and initiatives. Our compensation committee typically reviews executive officer compensation, both base salary levels and the target levels for variable cash incentive awards, following the end of each fiscal year. In connection with this review, our compensation committee considers any input it may receive from our CEO (with respect to executive officers other than himself) in evaluating the performance of each executive officer and sets each executive officer s total target cash compensation for the current year based on this review and the other factors described below. We pay cash incentive awards under our management cash incentive compensation plans, which are designed to compensate our named executive officers for their contribution to achieving semi-annual financial goals contained in our company financial plan, as explained in further detail below. This plan informally resets each year when our board of directors approves our company financial plan for the next fiscal year unless and until our compensation committee or our board of directors determines otherwise. In connection with its annual review and any reviews that occur during the fiscal year, our compensation committee also recommends to our board of directors any equity compensation to be awarded to our named executive officers. Authority to make equity award grants to our named executive officers currently rests with our board of directors.

We have based most, if not all, of our prior compensation determinations, including those made for fiscal 2009 and the five months ended December 31, 2009, on a variety of factors, including our performance, our financial condition and available resources, individual performance, our need for a particular position to be filled and the recommendations of our CEO (other than with respect to his own compensation). In addition, we have based our prior compensation determinations on our compensation committee s and/or our board of directors evaluation of the competitive market based on their respective members experience with other companies and the competitive market, compensation survey data available from outside sources and, to a lesser degree, the compensation levels of our other executive officers, each as of the time of the applicable compensation decision. Although our compensation committee members refer to compensation survey data, they do not formally benchmark executive compensation against a particular set of comparable companies or use a formula to set the compensation for our executives in relation to survey data. Substantially all of our compensation committee s discussions and decisions about executive compensation occur outside of formal meetings through e-mails and other informal communications. In establishing compensation for executive officers other than our CEO, our compensation committee gives weight to the recommendations of our CEO, which are communicated to the chair of our compensation committee, but final decisions about the compensation of our named executive officers are typically made solely by our compensation committee.

We expect that the specific direction, emphasis and components of our executive compensation program will continue to evolve and our compensation committee s processes and procedures will become more formalized as we gain experience operating as a public company. Although we have no current plans to effect any material changes to our executive compensation program, the compensation paid to our named executive officers for fiscal 2009 and the five months ended December 31, 2009 is not necessarily indicative of how we will compensate our named executive officers following this offering. For example, our compensation committee may engage an independent compensation consultant following this offering and, if it does, our compensation committee would consider any recommendations of the consultant.

Elements of Compensation

Our current executive compensation program consists of the following primary components:

base salary;

variable and other cash incentive awards linked to corporate and/or individual objectives; and

periodic grants of long-term equity-based awards.

Base Salary. We seek to provide each member of our senior management with a base salary that is appropriate for his roles and responsibilities, and that provides him with a level of income stability. Our compensation committee reviews the base salaries of our executive officers annually, with significant input from our CEO, to determine whether any adjustment is warranted. In considering a base salary adjustment, our compensation committee considers our company s overall performance and the executive officer s performance, individual contribution, changes in responsibilities and prior experience. Our compensation committee may also take into account the executive officer s current salary and equity ownership and the amounts paid to other executive officers of our company. Our compensation committee relies upon its members experience with the compensation practices of other companies, compensation survey data available from outside sources and its members familiarity with the competitive market.

For fiscal 2009, we determined the base salaries of each of our named executive officers by evaluating our company s overall performance and his performance, contributions and prior experience. Our compensation committee made its compensation decisions for fiscal 2009 based on its subjective judgment taking into account the available information, including our CEO s recommendations and the experience of the members of our compensation committee with the compensation practices of other companies, compensation survey data available from outside sources and their familiarity with the competitive market. After careful consideration, in October 2008, our compensation committee increased the annual base salaries of Messrs. Troughton, Keatley and Ricci by $50,000 (to $350,000), $50,000 (to $300,000) and $25,000 (to $275,000), respectively. Our compensation committee made these adjustments to make these base salaries more competitive with those of other companies and to compensate these named executive officers for increased responsibilities associated with our company s growth. Consistent with his request, Mr. Streit did not receive a base salary increase. Our compensation committee believed Mr. Streit s then-current salary level was competitive, and his salary, together with his equity ownership in our company and vested stock option awards, would serve as an effective means of retaining and incentivizing him.

In connection with the hiring of Mr. Sowell as our Chief Operating Officer in March 2009, we negotiated an employment arrangement with him that provided for an annual base salary of $235,000. In negotiating and setting Mr. Sowell s base salary, we offered him the amount of compensation we believed was necessary to attract a qualified candidate, taking into account the other cash compensation and personal benefits offered, including Mr. Sowell s $4,000 per month housing and travel allowance. See Other Executive Benefits and Perquisites below for a description of this benefit. In July 2009, we increased Mr. Sowell s base salary by $50,000 (to $285,000) in recognition of the fact that Mr. Sowell s responsibilities within our company were greater than originally anticipated and to achieve internal equity among our named executive officer team.

During the five months ended December 31, 2009, the compensation committee evaluated the base salary of each of our named executive officers and made compensation decisions for the year ending December 31, 2010 based on its subjective judgment taking into account the available information, including among other things the CEO s recommendations. Effective in January 2010, the compensation committee increased the annual base salaries of Messrs. Streit, Troughton, Keatley and Ricci to $525,000, $475,000, $425,000 and $350,000, respectively.

The actual base salaries paid to our named executive officers in fiscal 2009 and the five months ended December 31, 2009 are set forth in the Summary Compensation Table below.

Cash Incentive Awards. We utilize cash bonuses to incentivize our executive officers to achieve company and/or individual performance goals on a semi-annual basis, and to reward extraordinary accomplishments. We establish bonus targets for variable cash incentive awards annually, following the end of the fiscal year, and we pay bonuses following the applicable performance period (i.e., the first and second halves of each fiscal year). Each executive officer s on-target bonus amount is a pre-determined amount that is intended to provide a competitive level of compensation if the executive officer achieves his performance targets. Performance targets consist of one or more company

performance objectives and/or individual objectives established by our CEO for the particular executive officer. In general, we use performance targets to ensure that our executive compensation program aligns the interests of each of our named executive officers with those of our stockholders and that we provide our named executive officers with incentives to maximize their efforts throughout the year. Our annual variable cash incentive awards are intended to compensate our named executive officers for their contribution to achieving semi-annual financial goals contained in our company financial plan and for success in meeting any individual performance objectives. We determine the actual bonus award for each of our named executive officers according to his level of achievement of his performance objectives. For more information about our variable cash incentive awards, see FY2009 Management Cash Incentive Compensation Plan and FY2010 Management Cash Incentive Compensation Plan below.

Our compensation committee may grant non-plan cash incentive awards at any time during the fiscal year to reward an executive officer who accomplishes pre-established extraordinary or nonrecurring business objectives on behalf of our company. To date, the compensation committee has granted these awards infrequently. In October 2008, our compensation committee approved a $50,000 award to Mr. Troughton, conditioned upon his success at securing a key commercial agreement on acceptable terms. We paid Mr. Troughton this amount in full in January 2009 pursuant to the terms of the award.

The actual cash incentive awards paid to our named executive officers in fiscal 2009 and the five months ended December 31, 2009, as determined in accordance with the management cash incentive compensation plan for the applicable period (described below) or otherwise, are set forth in the Summary Compensation Table below under the column captioned Non-Equity Incentive Plan Compensation.

FY2009 Management Cash Incentive Compensation Plan. We calculated all variable cash incentive awards under our FY2009 Management Cash Incentive Compensation Plan by multiplying the individual s on-target bonus amount by the percentage of achievement of corporate objectives and, if applicable, by the percentage of achievement of individual objectives. In keeping with past practice, in early fiscal 2009 we established no individual objectives for our named executive officers for any of the periods under the plan. In March 2009, we tied our new Chief Operating Officer s cash incentive award to both corporate objectives and individual objectives, as explained below.

For fiscal 2009, our compensation committee set the annual on-target bonus amount for each executive officer at a value that it believed would provide a competitive level of compensation if the executive officer achieved his performance targets, based on its subjective judgment taking into account the available information, including our CEO s recommendations and its members experience with the compensation practices of other companies, compensation survey data available from outside sources and its members familiarity with the competitive market. For fiscal 2009, the individual on-target bonus amounts for our named executive officers ranged from 17% to 36% of their respective base annual salaries. The on-target bonus amounts for our named executive officers for fiscal 2009 were as follows:

Executive Officer	**On-Target Bonus Amount**
Steven W. Streit	