GREEN DOT CORP
Form 424B4
July 22, 2010

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**Filed pursuant to Rule 424(b)(4)**
**Registration Nos. 333-165081 and 333-168258**

**PROSPECTUS**

**4,558,050 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 4,558,050 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.

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 | $ 36.00 | $ 164,089,800 |
| Underwriting discounts and commissions | $ 2.52 | $ 11,486,286 |
| Proceeds to the selling stockholders, before expenses | $ 33.48 | $ 152,603,514 |

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 683,708 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 July 27, 2010.

| | |
|---|---|
| **J.P. Morgan** | **Morgan Stanley** |

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

July 21, 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 August 15, 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.

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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 32.6% 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.

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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.

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## The Offering

| | |
|---|---|
| Class A common stock offered by the selling stockholders | 4,558,050 shares |
| Class A common stock to be outstanding after this offering | 6,766,602 shares |
| Class B common stock to be outstanding after this offering | 33,986,965 shares(1) |
| Total Class A and Class B common stock to be outstanding after this offering | 40,753,567 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 83.4% of the total number of shares of our Class A and Class B common stock outstanding after this offering and 98.0% 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 661,626 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:

5,306,239 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 $8.87 per share (other than 377,840 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 4,558,050 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 683,708 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.

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## 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 |

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| | 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.

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| | 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.

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***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.

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***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,

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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

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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 implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. While the interchange rates that may be earned by us and the bank we propose to acquire will be unaffected by this new law, 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

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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.

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***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.

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***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-

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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 was 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 88.8% 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;

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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 661,626 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 55.8% of our outstanding Class A and Class B common stock, representing approximately 65.2% 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 40,753,567 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 661,626 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;

34,244,635 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 29,335,992 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 3,500,000 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 $33.88 per share, 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 661,626 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 11.2% of our outstanding shares of Class A and Class B common stock (and have 1.3% 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 441.9% of the total

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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 661,626 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.

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***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.

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## 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.

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## 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

661,626 shares of our Class B common stock, with a weighted average exercise price of $2.11 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 377,840 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 $2.64 per share and conversion of the shares received into shares of our Class A common stock);

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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.

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## 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 40,753,567, 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 661,626 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, 661,626 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 $33.88 per share 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.

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 11.2% of our outstanding shares of Class A and Class B common stock (and have 1.3% 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 441.9% 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 661,626 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 661,626 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 5,306,239 shares of our Class B common stock issuable upon the exercise of stock options with a weighted average exercise price of approximately $8.87 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 $31.31 per share of dilution to new investors;

- our existing stockholders, including the holders of these options and warrants, would own 90.9% and our new investors would own 9.1% 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 53.3% of total consideration, at an average price per share of $3.72, and our new investors would have paid 46.7% of total consideration.

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## 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 |

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| | 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

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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.

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## 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

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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% |

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*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.

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*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%,

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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.

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**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.

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**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.

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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.

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**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.

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*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.

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## 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 |

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| | 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.

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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

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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, 2007 | Year Ended July 31, 2008 | Year Ended July 31, 2009 | Five Months Ended December 31, 2009 | Three Months Ended March 31, 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.

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