

GREEN DOT CORP
Form S-1/A
December 02, 2010

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As filed with the Securities and Exchange Commission on December 2, 2010

Registration No. 333-170467

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

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

GREEN DOT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

6199

*(Primary standard industrial
classification code number)*

95-4766827

*(I.R.S. employer
identification no.)*

605 East Huntington Drive, Suite 205

Monrovia, CA 91016

(626) 739-3942

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

John C. Ricci

General Counsel

Green Dot Corporation

605 East Huntington Drive, Suite 205

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(626) 739-3942

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Class A Common Stock, par value \$0.001 per share	4,695,955	\$53.52	\$251,327,512	\$17,920

- (1) Includes 426,904 shares issuable upon exercise of the underwriters' option to purchase additional shares from the selling stockholders.
- (2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 and is based upon the average of the high and low sales prices of the Registrant's Class A common stock as reported on the New York Stock Exchange on November 24, 2010.
- (3) The Registrant previously paid \$7,130.00 of this amount in connection with the original filing of this Registration Statement on November 8, 2010.

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

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

PRELIMINARY PROSPECTUS

Subject to completion, dated December 2, 2010

4,269,051 Shares

Class A Common Stock

The selling stockholders identified in this prospectus are selling all of the 4,269,051 shares of our Class A common stock offered hereby and will receive all of the proceeds from this offering. We will not receive any proceeds from the sale of shares of our Class A common stock in this offering.

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 is listed on the NYSE under the symbol – GDOT. On December 1, 2010, the last reported sale price of our Class A common stock on the NYSE was \$59.65 per share.

	<i>Per Share</i>	<i>Total</i>
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to the selling stockholders, before expenses	\$	\$

The selling stockholders have granted the underwriters an option, for a period of 30 days from the date of this prospectus, to purchase from them up to 426,904 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 10 of this prospectus.**

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

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

J.P. Morgan

Morgan Stanley

, 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.

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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 card's 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 3.3 million active cards in our portfolio as of September 30, 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 nine months ended September 30, 2010, our total operating revenues were \$83.6 million, \$168.1 million, \$234.8 million, \$112.8 million and \$272.0 million, respectively. In the same periods, we generated operating income of \$1.2 million, \$29.2 million, \$63.7 million, \$23.3 million and \$56.7 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 Forecasts 2010 to 2013 research report, \$28.6 billion was loaded onto GPR cards in the United States in 2009 and \$201.9 billion is expected to be loaded onto GPR cards in the United States in 2013, reflecting a 63% 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 February 2009 and March 2010, 94% 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.

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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 represent 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.

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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. The parties intend to consummate the transaction as soon as practicable following regulatory approval of our proposed bank acquisition, although there can be no assurance that we will obtain regulatory approval or that our proposed bank acquisition will close. 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 from our three other largest retail distributors, as a group, represented 63%, and 20%, respectively, of our total operating revenues and 64% and 19%, respectively, of our total operating revenues, excluding stock-based retailer incentive compensation, for the nine months ended September 30, 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;

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

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.

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,

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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.

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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	4,269,051 shares
Class A common stock to be outstanding after this offering	13,377,336 shares
Class B common stock to be outstanding after this offering	28,417,273 shares(1)
Total Class A and Class B common stock to be outstanding after this offering	41,794,609 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 68.0% of the total number of shares of our Class A and Class B common stock outstanding after this offering and 95.5% of the combined voting power of our Class A and Class B common stock outstanding after this offering.

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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 September 30, 2010, after giving effect to a November 2010 partnership distribution by an existing stockholder that resulted in the conversion of 2,059,068 shares of Class B common stock outstanding as of September 30, 2010 into a like number of shares of Class A common stock and the issuance of 936,301 shares of Class B common stock to be acquired by certain selling stockholders through option exercises at the closing of this offering in order to sell the underlying shares of Class A common stock in this offering, and excludes:

4,289,900 shares of our Class B common stock issuable upon the exercise of stock options outstanding as of September 30, 2010 with a weighted average exercise price of \$10.34 per share (other than 936,301 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 September 30, 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.;

50,000 shares of our Class A common stock issuable upon the exercise of stock options granted after September 30, 2010 with an exercise price of \$46.15 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 (including 64,500 shares of our Class A common stock issuable upon the exercise of stock options outstanding as of September 30, 2010 with an exercise price of \$36.00 per share, and the shares described in the immediately preceding bullet), each of which 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 conversion by the selling stockholders of 3,729,381 shares of our Class B common stock (including 936,301 shares that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested stock options) into a like number of shares of our Class A common stock immediately prior to the completion of this offering; and

no exercise by the underwriters of their option to purchase up to an additional 426,904 shares of our Class A common stock from the selling stockholders in this offering.

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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 nine months ended September 30, 2009 and 2010 and the balance sheet data as of September 30, 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.

	Year Ended July 31,					Five Months Ended	Nine Months Ended September 30,	
	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	\$ 93,011	\$ 124,978
Cash transfer revenues	12,064	20,616	25,419	45,310	62,396	30,509	49,383	73,630
Interchange revenues	5,705	9,975	12,488	31,583	53,064	31,353	46,554	81,106
Stock-based retailer incentive compensation(1)								(7,673)
Total operating revenues	39,540	66,951	83,624	168,126	234,816	112,757	188,948	272,041
Operating expenses:								
Sales and marketing expenses	19,148	28,660	38,838	69,577	75,786	31,333	52,430	87,777
Compensation and benefits expenses(2)	11,584	18,499	20,610	28,303	40,096	26,610	32,827	50,474
Processing expenses	6,990	8,547	9,809	21,944	32,320	17,480	27,092	43,131
Other general and administrative expenses	6,521	10,077	13,212	19,124	22,944	14,020	18,721	33,997

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Total operating expenses	44,243	65,783	82,469	138,948	171,146	89,443	131,070	215,379
Operating income	(4,703)	1,168	1,155	29,178	63,670	23,314	57,878	56,662
Interest income	300	301	771	665	396	115	179	269
Interest expense	(474)	(823)	(625)	(247)	(1)	(2)	(3)	(48)
Income before income taxes	(4,877)	645	1,301	29,596	64,065	23,427	58,054	56,883
Income tax expense (benefit)		111	(3,346)	12,261	26,902	9,764	24,344	22,589
Net income	(4,877)	535	4,647	17,335	37,163	13,663	33,710	34,294
Dividends, accretion and allocated earnings of preferred stock		(367)	(5,157)	(13,650)	(29,000)	(9,170)	(22,886)	(16,094)
Net income (loss) allocated to common stockholders	\$ (4,877)	\$ 168	\$ (510)	\$ 3,685	\$ 8,163	\$ 4,493	\$ 10,824	\$ 18,200
Basic earnings (loss) per common share:								
Class A common stock								\$ 0.87
Class B common stock	\$ (0.48)	\$ 0.02	\$ (0.05)	\$ 0.34	\$ 0.68	\$ 0.37	\$ 0.90	\$ 0.87
Basic weighted-average common shares issued and outstanding								
Class A common stock								1,442
Class B common stock	10,228	10,873	11,100	10,757	12,036	12,222	12,046	18,232
Diluted earnings (loss) per common share:								
Class A common stock								\$ 0.81
Class B common stock	\$ (0.48)	\$ 0.01	\$ (0.05)	\$ 0.26	\$ 0.52	\$ 0.29	\$ 0.70	\$ 0.81
Diluted weighted-average diluted common shares issued and outstanding								
Class A common stock								22,884

Class B common stock	10,228	13,194	11,100	14,154	15,712	15,425	15,545	21,441
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- (1) Represents the recorded fair value of the shares for which our right to repurchase lapsed during the specified period pursuant to the terms of the agreement under which we issued 2,208,552 shares of our Class A common stock to Walmart. See Management's Discussion and Analysis of Financial Condition and Results of Operations Overview May 2010 Changes to Our Relationship with Walmart for more information. Prior to the three months ended June 30, 2010, we did not incur any stock-based retailer incentive compensation.
- (2) 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 \$2.0 million and \$5.2 million for the nine months ended September 30, 2009 and 2010, respectively.

	2005	2006	Year Ended July 31,			Five Months Ended	Nine Months Ended
			2007	2008	2009	December 31, 2009	September 30, 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	4,735,792
Number of cash transfers	2,262,854	4,055,775	4,992,956	9,153,119	14,084,458	8,188,264	19,227,426
Number of active cards as of period end(1)	289,086	428,300	625,165	1,270,072	2,056,828	2,685,975	3,279,232
Gross dollar volume(2)	\$414,910	\$801,956	\$1,134,175	\$2,831,278	\$4,702,914	\$2,734,087	\$7,736,236

- (1) Represents the total number of GPR cards in our portfolio that 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 September 30, 2010:

**As of
September 30,
2010**

(In thousands)**Consolidated Balance Sheet Data:**

Cash, cash equivalents and restricted cash(1)	\$ 140,744
Settlement assets(2)	11,784
Total assets	213,379
Settlement obligations(2)	11,784
Long-term debt	
Total liabilities	92,914
Total stockholders' equity	120,465

- (1) Includes \$5.2 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.

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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 on a sequential basis and in the three months ended September 30, 2010, the rate of growth was negative relative to the second quarter of 2010. 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 and fluctuations in stock-based retailer incentive compensation caused by variations in our stock price to cause sequential quarterly fluctuations and periodic 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, and our results for the subsequent two quarters were adversely affected by stock-based retailer incentive compensation that reduced our total operating revenues. The incremental seasonal operating revenues in the three months ended March 31, 2010 may not be replicated in the remaining quarter of 2010 and the ongoing stock-based retailer incentive compensation will continue to reduce our total operating revenues. Thus, our quarterly total operating revenues for the fourth quarter of 2010 may be below those in the three months ended March 31, 2010.

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

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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 would be adversely affected.

Operating revenues derived from sales at Walmart and from our three other largest retail distributors, as a group, represented 63% and 20%, respectively, of our total operating revenues and 64% and 19%, respectively, of our total operating revenues, excluding stock-based retailer incentive compensation, during the nine months ended September 30, 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 from products and services sold at the store locations our three other largest retail distributors, as a group, were approximately 63% and 20%, respectively, in the nine months ended September 30, 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 nine months ended September 30, 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.

Most 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

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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.

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 might result from 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 and network acceptance members;
- changes in our or our competitors' pricing policies or sales terms;
- the timing of commencement and termination of major advertising campaigns;
- the timing of costs related to the development or acquisition of complementary businesses;
- the timing of costs of any major litigation to which we are a party;
- the amount and timing of operating costs related to the maintenance and expansion of our business, operations and infrastructure;
- our ability to control costs, including third-party service provider costs;
- volatility in the trading price of our Class A common stock, which may lead to higher stock-based compensation expenses or fluctuations in the valuations of vesting equity that cause variations in our stock-based retailer incentive compensation; and

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

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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 Holdings, Inc. (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, the banks that issue our cards 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, the banks that issue our cards 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

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

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

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

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 of the U.S. Department of Treasury published for comment proposed new rules regarding, among other things, the applicability of the Bank Secrecy Act's anti-money laundering provisions to prepaid products such as ours. If adopted as proposed, these new rules 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, including identification information, is collected for certain prepaid products (including our cards) by shifting the point of collection from us 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. However, as the proposed rules are subject to further comment and revision, it is difficult to determine with any certainty what obligations the final rules might impose or what impact they might have on our business or that of our retail distributors.

State and federal legislators and regulatory authorities have become increasingly focused on the banking and consumer financial services industries, and continue to propose and adopt new legislation that could result in significant adverse changes in the regulatory landscape for financial institutions (including card issuing banks) and other financial services companies (including us). For example, changes in the way we or the banks that issue our cards are regulated, such as the changes under the recently-enacted Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, related to the consolidation of the primary federal regulator for savings banks with the primary federal regulator for national banks and the establishment of a federal Bureau of Consumer Financial Protection, or the Bureau, with oversight over us and our products and services, could expose us and the banks that issue our cards to increased regulatory oversight, more burdensome regulation of our business, and increased litigation risk, each of which could increase our costs and decrease our operating revenues. Additionally, changes to the limitations placed on fees, the 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.

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Our actual operating results may differ significantly from our guidance.

From time to time, we may release guidance in our quarterly earnings releases, quarterly earnings conference calls, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which includes forward-looking statements, is based on projections prepared by our management. These projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to those projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges that are intended to provide a sensitivity analysis as variables are changed but we can provide no assurances that actual results will not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any of these persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will prove to be incorrect or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision with respect to our Class A common stock.

Any failure to implement our operating strategy successfully or the occurrence of any of the events or circumstances set forth in this Risk Factors section could result in our actual operating results being different from our guidance, and such differences may be adverse and material.

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

If we complete 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 and regulations are possible in the near future. The Dodd-Frank Act made numerous changes to the regulatory framework governing banking organizations, and many of the provisions must be implemented by regulation. These regulations could likewise substantially affect our business and operations. There are proposals in the U.S. Congress that could make additional changes to the regulatory framework affecting

our

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

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

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

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

We and the banks that issue our cards are subject to Visa and MasterCard association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as Total Systems Services, Inc. The termination of the card association registrations held by us or any of the banks that issue our cards or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card associations increase the organization and/or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, operating results and financial condition.

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the nine months ended September 30, 2010, interchange revenues represented 29.8% 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

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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 Act, which requires the Federal Reserve Board to implement regulations that will likely substantially limit interchange fees for many issuers. 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 prepaid financial services as an electronic payment mechanism, including those included in this prospectus, may overstate the growth of an 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 engage in illegal activities involving our cards or cardholder information, such as counterfeiting, fraudulent payment or refund schemes and identity theft. We rely upon third parties for some transaction processing services, which subjects us and our cardholders to risks related to the vulnerabilities of those third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, could result in reputational damage to us, which could reduce the use and acceptance of our cards and other products and services, cause retail distributors or network acceptance members to cease doing business with us or lead to greater regulation that would increase our compliance costs.

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

We, the banks that issue our cards and our retail distributors, network acceptance members and third-party processors receive, transmit and store confidential customer and other information in connection with the sale and use of our prepaid financial services. Our encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches by third

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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