

GREEN DOT CORP  
Form 10-Q  
November 08, 2013  
Table of Contents

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

---

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34819

---

GREEN DOT CORPORATION

(Exact name of Registrant as specified in its charter)

---

Delaware

(State or other jurisdiction of incorporation or  
organization)

3465 E. Foothill Blvd.

Pasadena, California 91107

(Address of principal executive offices, including zip  
code)

95-4766827

(IRS Employer Identification No.)

(626) 765-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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 definition 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)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 37,355,439 shares of Class A common stock, par value \$.001 per share (which number does not include 6,859,000 shares of Class A common stock issuable upon conversion of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock) as of October 31, 2013.



GREEN DOT CORPORATION  
TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets – September 30, 2013 (Unaudited) and December 31, 2012</u>	<u>3</u>
<u>Consolidated Statements of Operations – Three and Nine-Month Periods Ended September 30, 2013</u> <u>(Unaudited) and 2012 (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income – Three and Nine-Month Periods Ended</u> <u>September 30, 2013 (Unaudited) and 2012 (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows – Nine-Month Periods Ended September 30, 2013</u> <u>(Unaudited) and 2012 (Unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
<u>PART II – OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>29</u>
<u>Item 1A. Risk Factors</u>	<u>29</u>
<u>Item 6. Exhibits</u>	<u>43</u>
<u>Signature</u>	<u>44</u>

---

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## GREEN DOT CORPORATION

## CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (Unaudited)	December 31, 2012
Assets	(In thousands, except par value)	
Current assets:		
Unrestricted cash and cash equivalents	\$328,879	\$293,590
Federal funds sold	922	3,001
Investment securities available-for-sale, at fair value	138,407	115,244
Settlement assets	38,400	36,127
Accounts receivable, net	48,208	40,441
Prepaid expenses and other assets	26,310	31,952
Income tax receivable	3,590	7,386
Net deferred tax assets	2,338	2,478
Total current assets	587,054	530,219
Restricted cash	667	634
Investment securities, available-for-sale, at fair value	97,779	68,543
Accounts receivable, net	4,844	10,931
Loans to bank customers, net of allowance for loan losses of \$464 and \$475 as of September 30, 2013 and December 31, 2012, respectively	6,522	7,552
Prepaid expenses and other assets	1,496	1,530
Property and equipment, net	62,599	58,376
Deferred expenses	6,946	12,510
Net deferred tax assets	4,558	4,629
Goodwill and intangible assets	30,708	30,804
Total assets	\$803,173	\$725,728
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$21,047	\$31,411
Deposits	189,261	198,451
Obligations to customers	56,871	46,156
Settlement obligations	10,206	3,639
Amounts due to card issuing banks for overdrawn accounts	52,260	50,724
Other accrued liabilities	27,172	29,469
Deferred revenue	13,663	19,557
Total current liabilities	370,480	379,407
Other accrued liabilities	41,545	18,557
Deferred revenue	325	—
Total liabilities	412,350	397,964
Stockholders' equity:		
Convertible Series A preferred stock, \$0.001 par value: 10 shares authorized and 7 shares issued and outstanding as of September 30, 2013 and December 31, 2012	7	7
Class A common stock, \$0.001 par value; 100,000 shares authorized as of September 30, 2013 and December 31, 2012; 37,340 and 31,798 shares issued and outstanding as of September 30, 2013 and December 31, 2012,	37	31

respectively

Class B convertible common stock, \$0.001 par value, 0 and 100,000 shares authorized as of September 30, 2013 and December 31, 2012, respectively; 0 and 4,197 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively

	—	4
Additional paid-in capital	188,804	158,656
Retained earnings	201,964	168,960
Accumulated other comprehensive income	11	106
Total stockholders' equity	390,823	327,764
Total liabilities and stockholders' equity	\$803,173	\$725,728
See notes to unaudited consolidated financial statements		

3

---

Table of Contents

GREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012	2012	2012	2012
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	\$51,066	\$52,548	\$170,762	\$171,632
Cash transfer revenues	47,193	41,832	137,161	121,721
Interchange revenues	40,872	39,581	129,541	122,615
Stock-based retailer incentive compensation	(2,587)	(1,202)	(6,163)	(6,985)
Total operating revenues	136,544	132,759	431,301	408,983
Operating expenses:				
Sales and marketing expenses	52,042	51,930	159,899	157,516
Compensation and benefits expenses	32,343	29,041	95,297	83,074
Processing expenses	22,231	18,802	64,178	58,668
Other general and administrative expenses	21,954	18,109	63,259	52,075
Total operating expenses	128,570	117,882	382,633	351,333
Operating income	7,974	14,877	48,668	57,650
Interest income	800	983	2,474	3,127
Interest expense	(22)	(21)	(55)	(62)
Income before income taxes	8,752	15,839	51,087	60,715
Income tax expense	2,638	6,227	18,083	23,866
Net income	6,114	9,612	33,004	36,849
Income attributable to preferred stock	(958)	(1,543)	(5,232)	(5,938)
Net income allocated to common stockholders	\$5,156	\$8,069	\$27,772	\$30,911
Basic earnings per common share:				
Class A common stock	\$0.14	\$0.23	\$0.76	\$0.87
Class B common stock	\$0.14	\$0.23	\$0.76	\$0.87
Basic weighted-average common shares issued and outstanding:				
Class A common stock	33,716	30,067	32,054	29,502
Class B common stock	2,447	4,585	3,481	4,884
Diluted earnings per common share:				
Class A common stock	\$0.13	\$0.22	\$0.74	\$0.84
Class B common stock	\$0.13	\$0.22	\$0.74	\$0.84
Diluted weighted-average common shares issued and outstanding:				
Class A common stock	37,771	35,826	36,844	35,901
Class B common stock	2,447	5,732	3,481	6,346
See notes to unaudited consolidated financial statements				

Table of Contents

GREEN DOT CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2013	2012	2013	2012
	(In thousands)			
Net income	\$6,114	\$9,612	\$33,004	\$36,849
Other comprehensive income (loss)				
Unrealized holding gains (losses), net of tax	44	60	(95	) 80
Comprehensive income	\$6,158	\$9,672	\$32,909	\$36,929
See notes to unaudited consolidated financial statements				

Table of Contents

GREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Operating activities		
Net income	\$ 33,004	\$ 36,849
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,906	12,564
Provision for uncollectible overdrawn accounts	38,164	46,683
Employee stock-based compensation	10,674	9,041
Stock-based retailer incentive compensation	6,163	6,985
Amortization of premium on available-for-sale investment securities	456	954
Realized gains on investment securities	(8	) (8
Recovery of uncollectible trade receivables	(12	) (420
Impairment of capitalized software	1,856	912
Deferred income tax expense	271	(32
Excess tax benefits from exercise of options	(3,749	) (2,665
Changes in operating assets and liabilities:		
Accounts receivable, net	(39,832	) (51,405
Prepaid expenses and other assets	5,676	(11,022
Deferred expenses	5,564	5,681
Accounts payable and other accrued liabilities	11,350	21,809
Amounts due issuing bank for overdrawn accounts	1,536	12,984
Deferred revenue	(5,569	) (10,523
Income tax receivable	7,543	4,929
Net cash provided by operating activities	92,993	83,316
Investing activities		
Purchases of available-for-sale investment securities	(214,638	) (200,755
Proceeds from maturities of available-for-sale securities	114,975	29,708
Proceeds from sales of available-for-sale securities	46,663	55,855
(Increase) decrease in restricted cash	(33	) 142
Payments for acquisition of property and equipment	(26,912	) (23,312
Net principal collections on loans	1,030	2,348
Acquisitions, net of cash acquired	—	(33,401
Net cash used in investing activities	(78,915	) (169,415
Financing activities		
Proceeds from exercise of options	9,564	2,710
Excess tax benefits from exercise of options	3,749	2,665
Net decrease in deposits	(9,190	) (428
Net increase in obligations to customers	15,009	23,137
Net cash provided by financing activities	19,132	28,084
Net increase (decrease) in unrestricted cash, cash equivalents, and federal funds sold	33,210	(58,015



Edgar Filing: GREEN DOT CORP - Form 10-Q

Unrestricted cash, cash equivalents, and federal funds sold, beginning of year	296,591	225,433
Unrestricted cash, cash equivalents, and federal funds sold, end of period	\$329,801	\$167,418
Cash paid for interest	7	72
Cash paid for income taxes	10,266	23,012
See notes to unaudited consolidated financial statements		

6

---

Table of Contents

GREEN DOT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1—Organization

Green Dot Corporation (“we,” “us” and “our” refer to Green Dot Corporation and its wholly-owned subsidiaries, Next Estate Communications, Inc.; Green Dot Bank; and Loopt, LLC) is a bank holding company with a mission to reinvent personal banking for the masses. Our prepaid products and services are available in more than 80,000 retail stores nationwide and online at Greendot.com. Our products include: Green Dot MasterCard and Visa-branded prepaid debit cards and several co-branded reloadable prepaid card programs, collectively referred to as our GPR cards; Visa-branded gift cards; our MoneyPak and swipe reload proprietary products, collectively referred to as our cash transfer products, which enable cash loading and transfer services through our Green Dot Network; and GoBank, an innovative checking account developed for distribution and use via mobile phones. GoBank is available online at GoBank.com and via the Apple App Store and Google Play. The Green Dot Network enables consumers to use cash to reload our prepaid debit cards or to transfer cash to any of our Green Dot Network acceptance members, including competing prepaid card programs and other online accounts.

We market our products and services to banked, underbanked and unbanked consumers in the United States using distribution channels other than traditional bank branches, such as third-party retailer locations nationwide and the Internet. Our prepaid debit cards are issued by Green Dot Bank and third-party issuing banks including GE Capital Retail Bank, The Bancorp Bank, Sunrise Banks, N.A., and prior to November 2012, Columbus Bank and Trust Company, a division of Synovus Bank. We also have multi-year distribution arrangements with many large and medium-sized retailers, such as Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, and Radio Shack, and with various industry resellers, such as Blackhawk Network, Inc. and Incomm. We refer to participating retailers collectively as our “retail distributors.”

Acquisitions

In March 2012, we acquired Loopt, Inc., or Loopt, for approximately \$33.6 million in cash in exchange for all of its outstanding shares. Loopt's results of operations are included in our consolidated results of operations following the acquisition date. We committed to pay \$9.8 million in retention-based incentives for employees we hired in connection with the acquisition of Loopt. In December 2012, we converted Loopt from a corporation to a limited liability company.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

We have prepared the accompanying unaudited consolidated financial statements in accordance with generally accepted accounting principles in the United States of America, or GAAP. We consolidated our wholly-owned subsidiaries and eliminated all significant intercompany balances and transactions.

We have also prepared the accompanying unaudited consolidated financial statements in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X and, consequently, they do not include all of the annual disclosures required by GAAP. Reference is made to our Annual Report on Form 10-K for the year ended December 31, 2012, for additional disclosures, including a summary of our significant accounting policies. There have been no changes to our significant accounting policies during the nine months ended September 30, 2013. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal and recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for the nine months ended September 30, 2013 are not necessarily indicative of future results.

Recent Accounting Pronouncements

Recently Adopted Standards

In February 2013, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2013-02, Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires companies to report, in one place, information about significant reclassifications out of accumulated other comprehensive income, or AOCI, and disclose more information about

changes in AOCI balances. We adopted this ASU in the first quarter of 2013. The adoption of this standard did not have a significant impact on our consolidated financial statements.

Recently Issued Standards

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, which provides guidance for the financial

Table of Contents

## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 2—Summary of Significant Accounting Policies (continued)

statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. We will adopt the standard effective January 1, 2014. Our adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

## Note 3 — Investment Securities

Our available-for-sale investment securities were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
September 30, 2013	(In thousands)			
Corporate bonds	\$67,191	\$40	\$(17	) \$67,214
Commercial paper	82,091	19	(1	) 82,109
Negotiable certificate of deposit	4,400	5	—	4,405
U.S. Treasury notes	11,360	11	—	11,371
Agency securities	29,510	20	—	29,530
Mortgage-backed securities	2,668	—	(62	) 2,606
Municipal bonds	19,843	24	(13	) 19,854
Asset-backed securities	19,105	6	(14	) 19,097
Total investment securities	\$236,168	\$125	\$(107	) \$236,186
December 31, 2012				
Corporate bonds	\$37,320	\$39	\$(2	) \$37,357
Commercial paper	55,733	17	(2	) 55,748
Negotiable certificate of deposit	4,400	14	—	4,414
U.S. Treasury notes	22,258	9	—	22,267
Agency securities	25,845	23	(1	) 25,867
Municipal bonds	11,528	43	(3	) 11,568
Asset-backed securities	26,533	33	—	26,566
Total investment securities	\$183,617	\$178	\$(8	) \$183,787

As of September 30, 2013 and December 31, 2012, the gross unrealized losses and fair values of available-for-sale investment securities that were in unrealized loss positions were as follows:

	Less than 12 months		12 months or more		Total fair value	Total unrealized loss
	Fair value	Unrealized loss	Fair value	Unrealized loss		
September 30, 2013	(In thousands)					
Corporate bonds	\$28,421	\$(17	) \$—	\$—	\$28,421	\$(17
Commercial paper	8,592	(1	) —	—	8,592	(1
Agency securities	—	—	—	—	—	—
Mortgage-backed securities	2,606	(62	) —	—	2,606	(62
Municipal bonds	7,899	(13	) —	—	7,899	(13
Asset-backed securities	9,035	(14	) —	—	\$9,035	\$(14
Total investment securities	\$56,553	\$(107	) \$—	\$—	\$56,553	\$(107
December 31, 2012						
Corporate bonds	\$6,138	\$(2	) \$—	\$—	\$6,138	\$(2
Commercial paper	6,390	(2	) —	—	6,390	(2

Edgar Filing: GREEN DOT CORP - Form 10-Q

Agency securities	6,302	(1	)	—	—	6,302	(1	)
Municipal bonds	1,602	(3	)	—	—	1,602	(3	)
Total investment securities	\$20,432	\$(8	)	\$—	\$—	\$20,432	\$(8	)

8

---

Table of Contents

## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 3 — Investment Securities (continued)

We did not record any other-than-temporary impairment losses during the three and nine-month periods ended September 30, 2013 or 2012 on our available-for-sale investment securities. We do not intend to sell these investments or we have determined that it is more likely than not that we will not be required to sell these investments before recovery of their amortized cost bases, which may be at maturity.

As of September 30, 2013, the contractual maturities of our available-for-sale investment securities were as follows:

	Amortized cost (In thousands)	Fair value
Due in one year or less	\$138,359	\$138,407
Due after one year through five years	74,692	74,733
Due after five years through ten years	1,047	1,051
Due after ten years	500	496
Mortgage and asset-backed securities	21,570	21,499
Total investment securities	\$236,168	\$236,186

The expected payments on mortgage-backed and asset-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

## Note 4—Accounts Receivable

Accounts receivable, net consisted of the following:

	September 30, 2013 (In thousands)	December 31, 2012
Overdrawn account balances due from cardholders	\$15,597	\$24,328
Reserve for uncollectible overdrawn accounts	(10,653)	(15,677)
Net overdrawn account balances due from cardholders	4,944	8,651
Trade receivables	4,401	5,686
Reserve for uncollectible trade receivables	(56)	(69)
Net trade receivables	4,345	5,617
Receivables due from card issuing banks	41,942	33,729
Other receivables	1,821	3,375
Accounts receivable, net	\$53,052	\$51,372

Activity in the reserve for uncollectible overdrawn accounts consisted of the following:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012	2012	2012	2012
	(In thousands)			
Balance, beginning of period	\$13,249	\$15,722	\$15,677	\$15,309
Provision for uncollectible overdrawn accounts:				
Fees	9,240	15,473	36,396	29,113
Purchase transactions	369	670	1,768	1,480
Charge-offs	(12,205)	(13,906)	(43,188)	(27,943)
Balance, end of period	\$10,653	\$17,959	\$10,653	\$17,959

Table of Contents

## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 5—Loans to Bank Customers

The following table presents total outstanding loans, gross of the related allowance for loan losses, and a summary of the related payment status:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Total Outstanding			
September 30, 2013	(In thousands)								
Real estate	\$—	\$—	\$7	\$7	\$3,305	\$3,312			
Commercial	3	—	—	3	1,292	1,295			
Installment	—	1	4	5	2,374	2,379			
Total loans	\$3	\$1	\$11	\$15	\$6,971	\$6,986			
Percentage of outstanding	0.04	% 0.01	% 0.16	% 0.21	% 99.79	% 100.00	%		
December 31, 2012									
Real estate	\$91	\$—	\$—	\$91	\$3,465	\$3,556			
Commercial	77	—	—	77	1,102	1,179			
Installment	22	3	—	25	3,267	3,292			
Total loans	\$190	\$3	\$—	\$193	\$7,834	\$8,027			
Percentage of outstanding	2.37	% 0.04	% —	% 2.40	% 97.60	% 100.00	%		

## Nonperforming Loans

The following table presents our nonperforming loans, including impaired loans. See Note 2—Summary of Significant Accounting Policies to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2012 for further information on the criteria for classification as nonperforming.

	September 30, 2013	December 31, 2012
	(In thousands)	
Real estate	\$73	\$8
Commercial	126	244
Installment	209	135
Total loans	\$408	\$387

## Credit Quality Indicators

We closely monitor and assess the credit quality and credit risk of our loan portfolio on an ongoing basis. We continuously review and update loan risk classifications. We evaluate our loans using non-classified or classified as the primary credit quality indicator. Classified loans are those loans that have demonstrated credit weakness where we believe there is a heightened risk of principal loss, including all impaired loans. Classified loans are generally internally categorized as substandard, doubtful or loss consistent with regulatory guidelines.

The table below presents our primary credit quality indicators related to our loan portfolio:

	September 30, 2013		December 31, 2012	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Real estate	\$2,992	\$320	\$3,360	\$196
Commercial	1,235	60	930	249
Installment	2,293	86	3,000	292

Edgar Filing: GREEN DOT CORP - Form 10-Q

Total loans	\$6,520	\$466	\$7,290	\$737
-------------	---------	-------	---------	-------

10

---



Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 5—Loans to Bank Customers (continued)

## Impaired Loans and Troubled Debt Restructurings

When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a Troubled Debt Restructuring, or TDR. The following table presents key information regarding loans that we modified in TDRs as of September 30, 2013 and December 31, 2012. Our TDR modifications related to extensions of the maturity dates at a stated interest rate lower than the current market rate for new debt with similar risk:

	September 30, 2013		December 31, 2012	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Real estate	\$123	\$73	\$194	\$96
Commercial	364	126	280	136
Installment	471	209	403	173

## Allowance for Loan Losses

Activity in the allowance for loan losses consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)			
Balance, beginning of period	\$460	\$310	\$475	\$—
Provision for loans	—	39	—	349
Loans charged off	—	(51	) (25	) (51
Recoveries of loans previously charged off	\$4	\$—	\$14	\$—
Balance, end of period	\$464	\$298	\$464	\$298

## Note 6—Employee Stock-Based Compensation

We currently grant stock options and restricted stock units to employees and directors under our 2010 Equity Incentive Plan. Additionally, through our 2010 Employee Stock Purchase Plan, employees are able to purchase shares of our Class A common stock at a discount through payroll deductions. We have reserved shares of our Class A common stock for issuance under these plans.

The following table summarizes stock options and restricted stock units granted under our 2010 Equity Incentive Plan:

	Nine Months Ended September 30,	
	2013	2012
	(In thousands, except per share data)	
Stock options granted	1,708	1,101
Weighted-average exercise price	\$16.89	\$27.83
Weighted-average grant-date fair value	\$5.97	\$12.70
Restricted stock units granted	503	53
Weighted-average grant-date fair value	\$16.57	\$28.70

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 6—Employee Stock-Based Compensation (continued)

We estimated the fair value of each stock option grant on the date of grant using the following weighted-average assumptions:

	Nine Months Ended September 30,		
	2013	2012	
Risk-free interest rate	1.00	% 1.22	%
Expected term (life) of options (in years)	5.68	6.49	
Expected dividends	—	—	
Expected volatility	43.61	% 45.46	%

The total stock-based compensation expense recognized was \$10.7 million and \$9.0 million for the nine-month periods ended September 30, 2013 and 2012, respectively. Total stock-based compensation expense includes amounts related to awards of stock options and restricted stock units and purchases under our 2010 Employee Stock Purchase Plan.

## Note 7—Income Taxes

Income tax expense for the nine-month periods ended September 30, 2013 and 2012 varied from the amount computed by applying the federal statutory income tax rate to income before income taxes. A reconciliation between the expected federal income tax expense using the federal statutory tax rate and our actual income tax expense is shown in the following:

	Nine Months Ended September 30,		
	2013	2012	
U.S. federal statutory tax rate	35.0	% 35.0	%
State income taxes, net of federal benefit	1.8	1.8	
General business credits	(3.2	) —	
Employee stock-based compensation	1.6	1.9	
Other	0.2	0.6	
Effective tax rate	35.4	% 39.3	%

The effective tax rates for the periods above generally differ from the expected federal statutory tax rate of 35% primarily due to state income taxes, net of the federal tax benefit, and non-deductible employee stock based compensation. The effective tax rate for nine months ended September 30, 2013 was favorably impacted by our recognition of general business credits related to 2012 and 2013 of \$0.8 million and \$1.0 million, respectively. Excluding the impact of the discrete items related to 2012, our effective tax rate in the nine months ended September 30, 2013 would have been 37.0%.

We are subject to examination by the Internal Revenue Service, or IRS, and various state tax authorities. Our consolidated federal income tax return for the year ended July 31, 2008 has been examined by the IRS, and there were no material changes in our tax liabilities for that year. Our consolidated federal income tax returns for the year ended July 31, 2009, the five-months ended December 31, 2009 and the years ended December 31, 2010 and 2011 are currently under examination by the IRS. We remain subject to examination of our federal income tax returns for the year ended December 31, 2012. We generally remain subject to examination of our various state income tax returns for a period of four to five years from the respective dates the returns were filed.

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 7—Income Taxes (continued)

We continuously evaluate income tax positions that we have taken or anticipate taking in a tax return. We recognize and measure the related income tax benefit in accordance with the guidance related to uncertainty in income taxes.

The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is as follows:

	Nine Months Ended September 30,	
	2013	2012
	(In thousands)	
Beginning balance	\$1,481	\$—
Increases related to positions taken during prior years	500	—
Increases related to positions taken during the current year	866	—
Ending balance	\$2,847	\$—

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	\$2,847	\$—
--	---------	-----

## Note 8—Earnings per Common Share

In August 2013, the issued and outstanding shares of our Class B Common Stock declined to less than 10% of the aggregate number of issued and outstanding shares of our Class A Common Stock and Class B Common Stock.

Pursuant to the terms of Article V of our Certificate of Incorporation, the issued and outstanding shares of our Class B common stock automatically converted into shares of our Class A common stock. Following this automatic conversion, there is now only a single class of our common stock outstanding. As Class B common stock was outstanding for a portion of the year, we continue to disclose earnings per common share, or EPS, for both classes of common stock.

The calculation of basic and diluted EPS was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except per share data)			
Basic earnings per Class A common share				
Net income	\$6,114	\$9,612	\$33,004	\$36,849
Income attributable to preferred stock	(958)	(1,543)	(5,232)	(5,938)
Income attributable to other classes of common stock	(449)	(1,303)	(3,324)	(5,370)
Net income allocated to Class A common stockholders	\$4,707	\$6,766	\$24,448	\$25,541
Weighted-average Class A shares issued and outstanding	33,716	30,067	32,054	29,502
Basic earnings per Class A common share	\$0.14	\$0.23	\$0.76	\$0.87
Diluted earnings per Class A common share				
Net income allocated to Class A common stockholders	\$4,707	\$6,766	\$24,448	\$25,541
Re-allocated earnings	379	1,082	2,827	4,471
Diluted net income allocated to Class A common stockholders	5,086	7,848	27,275	30,012
Weighted-average Class A shares issued and outstanding	33,716	30,067	32,054	29,502

Edgar Filing: GREEN DOT CORP - Form 10-Q

Dilutive potential common shares:				
Class B common stock	2,447	5,732	3,481	6,346
Stock options	1,333	—	1,104	—
Restricted stock units	254	—	195	4
Employee stock purchase plan	21	27	10	49
Diluted weighted-average Class A shares issued and outstanding	37,771	35,826	36,844	35,901
Diluted earnings per Class A common share	\$0.13	\$0.22	\$0.74	\$0.84

13

---

Table of Contents

## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 8—Earnings per Common Share (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands, except per share data)			
Basic earnings per Class B common share				
Net income	\$6,114	\$9,612	\$33,004	\$36,849
Income attributable to preferred stock	(958	) (1,543	) (5,232	) (5,938
Income attributable to other classes of common stock	(4,815	) (7,036	) (25,118	) (26,683
Net income allocated to Class B common stockholders	\$341	\$1,033	\$2,654	\$4,228
Weighted-average Class B shares issued and outstanding	2,447	4,585	3,481	4,884
Basic earnings per Class B common share	\$0.14	\$0.23	\$0.76	\$0.87
Diluted earnings per Class B common share				
Net income allocated to Class B common stockholders	\$341	\$1,033	\$2,654	\$4,228
Re-allocated earnings	(12	) 224	(78	) 1,077
Diluted net income allocated to Class B common stockholders	\$329	\$1,257	\$2,576	\$5,305
Weighted-average Class B shares issued and outstanding	2,447	4,585	3,481	4,884
Dilutive potential common shares:				
Stock options	—	1,147	—	1,462
Diluted weighted-average Class B shares issued and outstanding	2,447	5,732	3,481	6,346
Diluted earnings per Class B common share	\$0.13	\$0.22	\$0.74	\$0.84

As of September 30, 2013, 699,342 shares of Class A common stock issued to Walmart were subject to our repurchase right. Basic and diluted EPS for these shares were the same as basic and diluted EPS for our Class A common stock for the three and nine-month periods ended September 30, 2013 and September 30, 2012.

We excluded from the computation of basic EPS all shares issuable under an unvested warrant to purchase 4,283,456 shares of our Class A common stock, as the related performance conditions had not been satisfied.

For the periods presented, we excluded all shares of convertible preferred stock and certain stock options outstanding, which could potentially dilute basic EPS in the future, from the computation of diluted EPS as their effect was anti-dilutive. The following table shows the weighted-average number of anti-dilutive shares excluded from the diluted EPS calculation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Class A common stock	(In thousands)			
Options to purchase Class A common stock	351	2,153	975	1,143
Restricted stock units	—	43	15	19
Conversion of convertible preferred stock	6,859	6,859	6,859	6,859
	7,210	9,055	7,849	8,021

Total options, restricted stock units and convertible preferred stock

Class B common stock

Options to purchase Class B common stock —	403	—	67
Total options —	403	—	67

Note 9—Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and how we measure fair value, see Note 2—Summary of Significant Accounting Policies to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2012.

Table of Contents

## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 9—Fair Value Measurements (continued)

As of September 30, 2013 and December 31, 2012, our assets carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
September 30, 2013	(In thousands)			
Corporate bonds	\$—	\$67,214	\$—	\$67,214
Commercial paper	—	82,109	—	82,109
Negotiable certificate of deposit	—	4,405	—	4,405
U.S. Treasury notes	—	11,371	—	11,371
Agency securities	—	29,530	—	29,530
Mortgage-backed securities	—	2,606	—	2,606
Municipal bonds	—	19,854	—	19,854
Asset-backed securities	—	19,097	—	19,097
Total	\$—	\$236,186	\$—	\$236,186
December 31, 2012				
Corporate bonds	\$—	\$37,357	\$—	\$37,357
Commercial paper	—	55,748	—	55,748
Negotiable certificate of deposit	—	4,414	—	4,414
U.S. treasury notes	—	22,267	—	22,267
Agency securities	—	25,867	—	25,867
Municipal bonds	—	11,568	—	11,568
Asset-backed securities	—	26,566	—	26,566
Total	\$—	\$183,787	\$—	\$183,787

We based the fair value of our fixed income securities held as of September 30, 2013 and December 31, 2012 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets during the nine month period ended September 30, 2013 or the year ended December 31, 2012.

## Note 10—Fair Value of Financial Instruments

The following describes the valuation technique for determining the fair value of financial instruments, whether or not such instruments are carried at fair value on our consolidated balance sheets.

## Short-term Financial Instruments

Our short-term financial instruments consist principally of unrestricted and restricted cash and cash equivalents, federal funds sold, settlement assets and obligations, and obligations to customers. These financial instruments are short-term in nature, and, accordingly, we believe their carrying amounts approximate their fair values. Under the fair value hierarchy, these instruments are classified as Level 1.

## Investment Securities

The fair values of investment securities have been derived using methodologies referenced in Note 2—Summary of Significant Accounting Policies to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2012. Under the fair value hierarchy, our investment securities are classified as Level 2.

## Loans

We determined the fair values of loans by discounting both principal and interest cash flows expected to be collected using a discount rate commensurate with the risk that we believe a market participant would consider in determining fair value. Under the fair value hierarchy, our loans are classified as Level 3.

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 10—Fair Value of Financial Instruments (continued)

## Deposits

The fair value of demand and interest checking deposits and savings deposits is the amount payable on demand at the reporting date. We determined the fair value of time deposits by discounting expected future cash flows using market-derived rates based on our market yields on certificates of deposit, by maturity, at the measurement date. Under the fair value hierarchy, our deposits are classified as Level 2.

## Fair Value of Financial Instruments

The carrying values and fair values of certain financial instruments that were not carried at fair value, excluding short-term financial instruments for which the carrying value approximates fair value, at September 30, 2013 and December 31, 2012 are presented in the table below.

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
<b>Financial Assets</b>				
Loans to bank customers, net of allowance	\$6,522	\$5,887	\$7,552	\$5,719
<b>Financial Liabilities</b>				
Deposits	\$189,261	\$189,206	\$198,451	\$198,369

## Note 11—Commitments and Contingencies

We monitor the laws of all 50 states to identify state laws or regulations that apply to prepaid debit cards and other stored value products. Many state laws do not specifically address stored value products and what, if any, legal or regulatory requirements (including licensing) apply to the sale of these products. We have obtained money transmitter licenses (or similar such licenses) where applicable, based on advice of counsel or when we have been requested to do so. If we were found to be in violation of any laws and regulations governing banking, money transmitters, electronic fund transfers, or money laundering in the United States or abroad, we could be subject to penalties or could be forced to change our business practices.

In the ordinary course of business, we are a party to various legal proceedings. We review these actions on an ongoing basis to determine whether it is probable that a loss has occurred and use that information when making accrual and disclosure decisions. We have not established reserves or possible ranges of losses related to these proceedings because, at this time in the proceedings, the matters do not relate to a probable loss and/or the amounts are not reasonably estimable.

From time to time we enter into contracts containing provisions that contingently require us to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) contracts with our card issuing banks, under which we are responsible to them for any unrecovered overdrafts on cardholders' accounts; (ii) certain real estate leases, under which we may be required to indemnify property owners for environmental and other liabilities, and other claims arising from our use of the premises; (iii) certain agreements with our officers, directors, and employees, under which we may be required to indemnify these persons for liabilities arising out of their relationship with us; and (iv) contracts under which we may be required to indemnify our retail distributors, suppliers, vendors and other parties with whom we have contracts against third-party claims that our products infringe a patent, copyright, or other intellectual property right claims arising from our acts, omissions, or violation of law.

Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. With the exception of overdrafts on cardholders' accounts, historically, we have not been required to make payments under these and similar contingent obligations, and no liabilities have been recorded for these obligations in our consolidated balance sheets.

For additional information regarding overdrafts on cardholders' accounts, refer to Note 4 — Accounts Receivable.





Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 12—Significant Customer Concentration

A credit concentration may exist if customers are involved in similar industries, economic sectors, and geographic regions. Our retail distributors operate in similar economic sectors but diverse domestic geographic regions. The loss of a significant retail distributor could have a material adverse effect upon our card sales, profitability, and revenue growth.

Revenues derived from our products sold at our four largest retail distributors represented the following percentages of our total operating revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Walmart	62%	62%	65%	63%
Three other largest retail distributors, as a group	22%	20%	22%	21%

Excluding stock-based retailer incentive compensation of \$2.6 million and \$1.2 million for the three-month periods ended September 30, 2013 and 2012, respectively, and \$6.2 million and \$7.0 million for the nine-month periods ended September 30, 2013 and 2012, respectively, revenues derived from our products sold at our four largest retail distributors represented the following percentages of our total operating revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Walmart	63%	63%	65%	64%
Three other largest retail distributors, as a group	22%	20%	21%	20%

The concentration of GPR cards activated (in units) and the concentration of sales of cash transfer products (in units) derived from our products sold at our four largest retail distributors was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Concentration of GPR cards activated (in units)	83%	88%	85%	88%
Concentration of sales of cash transfer products (in units)	87%	89%	87%	88%

Settlement assets derived from our products sold at our four largest retail distributors comprised the following percentages of the settlement assets recorded on our consolidated balance sheet:

	September 30, 2013	December 31, 2012
Walmart	29%	35%
Three other largest retail distributors, as a group	36%	38%

At September 30, 2013 and December 31, 2012, the customer funds underlying the Walmart co-branded GPR cards were held by GE Capital Retail Bank. These funds are held in trust for the benefit of the customers, and we have no legal rights to the customer funds. Additionally, we have receivables due from GE Capital Retail Bank that are included in accounts receivable, net, on our consolidated balance sheets. The failure of this entity could result in significant business disruption, a potential material adverse effect on our ability to service our customers, potential contingent obligations by us to customers and material write-offs of uncollectible receivables. We are in the process of obtaining regulatory approval for the proposed transition of these customer funds to our subsidiary bank.

Table of Contents

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q, including this Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the “Exchange Act”). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “assumes,” variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under “Part II, Item 1A. Risk Factors,” and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

In this Quarterly Report, unless otherwise specified or the context otherwise requires, “Green Dot,” “we,” “us,” and “our” refer to Green Dot Corporation and its consolidated subsidiaries.

Overview

Green Dot Corporation is a technology-centric, pro-consumer Bank Holding Company with a mission to reinvent personal banking for the masses. Our products and brands include Green Dot-brand reloadable prepaid debit cards, the Green Dot Reload Network, the Green Dot MoneyPak and GoBank. Green Dot Corporation products are available to consumers at more than 80,000 retailers nationwide, online and via the leading app stores.

Financial Results and Trends

Total operating revenues for the three and nine-month periods ended September 30, 2013 were \$136.5 million and \$431.3 million, respectively, compared to \$132.8 million and \$409.0 million for the three and nine-month periods ended September 30, 2012, respectively. Total operating revenues for these periods were favorably impacted by increases in other revenues, a component of card revenues and other fees, and increases in cash transfer revenues and interchange revenues. Other revenues increased primarily due to period-over-period growth in our gift card program and cash transfer and interchange revenues increased primarily due to period-over-period growth in the number of cash transfers and purchase volume, respectively, which are described below. Total operating revenues for these periods were adversely impacted by declines in monthly maintenance fees, new card fees and ATM fees, all components of card revenues and other fees. Monthly maintenance fees declined primarily due to an increase in fee waivers earned by cardholders. New card fees declined as a result of a period-over-period decline in card sales, driven by increased competition and the implementation of enhanced risk controls, as discussed further below. ATM fees declined as a result of higher usage of our fee-free ATM network.

Total operating expenses for the three and nine-month periods ended September 30, 2013 were \$128.6 million and \$382.6 million, respectively, compared to \$117.9 million and \$351.3 million for the three and nine-month periods ended September 30, 2012, respectively. Total operating expenses for these periods were adversely impacted by increases in compensation and benefits expenses, processing expenses and other general and administrative expenses. Compensation and benefits expenses increased primarily due to our efforts to attract and retain technology development personnel. Processing expenses increased primarily due to period-over-period growth in purchase volume. Other general and administrative expenses increased primarily due to increases in depreciation and amortization of property and equipment as we invested in technology to support our new product launches and improve our core infrastructure and increases in transaction losses, primarily associated with customer disputed transactions.

Income tax expense for the three and nine-month periods ended September 30, 2013 were \$2.6 million and \$18.1 million, respectively, compared to \$6.2 million and \$23.9 million for the three and nine-month periods ended September 30, 2012, respectively. Income tax expense for these periods declined primarily as a result of our recognition of general business credits related to 2012 and 2013 throughout the year and a decline in income before

income taxes. Although we expect to recognize general business credits in the fourth quarter of 2013 and beyond, we believe our effective tax rate for the foreseeable future will be higher than our effective tax rate for three months ended September 30, 2013.

Since the second half of 2012, we have experienced increased competition at most of our largest retail distributors. Although we cannot accurately measure the precise effect of increased competition on our results of operations, we

## Table of Contents

believe that it negatively impacted our total operating revenues for the first three quarters of 2013. In addition, the number of active cards in our portfolio and the number of cash transfers were negatively impacted during the first three quarters of 2013 by enhanced risk controls we began voluntarily implementing in 2012. For example, during the first nine months of 2013, we declined 10-20% more new card activations than the comparable period in 2012. We believe the increased competition and enhanced risk controls will continue to have an adverse effect on our business, results of operations, and financial condition in the fourth quarter of 2013 and the foreseeable future.

As previously announced, we are expanding our distribution channel by more than 27,000 new retail locations, such as The Home Depot, Family Dollar, Dollar General and Dollar Tree, and expanding our product offerings at Walmart stores. Consequently, we expect to incur additional sales and marketing expenses during the fourth quarter of 2013 related primarily to costs of materials as we roll out products to the stores of these new retail distributors, existing retail distributors, new check cashing partners and to support our new GoBank partnerships.

### Key Metrics

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 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 11.43 million and 10.52 million MoneyPak and POS swipe reload transactions in the three-month periods ended September 30, 2013 and 2012, respectively, and 34.00 million and 30.75 million MoneyPak and POS swipe reload transactions in the nine-month periods ended September 30, 2013 and 2012, respectively.

**Number of Active Cards** — 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. We had 4.41 million and 4.42 million active cards outstanding as of September 30, 2013 and 2012, respectively.

**Gross Dollar Volume** — represents the total dollar volume of funds loaded to our GPR card and reload products. Our gross dollar volume was \$4.4 billion and \$4.1 billion for the three-month periods ended September 30, 2013 and 2012, respectively, and \$13.9 billion and \$12.9 billion for the nine-month periods ended September 30, 2013 and 2012, respectively. While we continue to view our gross dollar volume as a key metric, we review this metric in conjunction with purchase volume and give greater weight to our purchase volume when assessing our operating performance because we believe it is a better indicator of interchange revenue performance.

**Purchase Volume** — represents the total dollar volume of purchase transactions made by customers using our GPR and gift card products. This metric excludes the dollar volume of ATM withdrawals. Our purchase volume was \$3.3 billion and \$3.0 billion for the three-month periods ended September 30, 2013 and 2012, respectively, and \$10.1 billion and \$9.4 billion for the nine-month periods ended September 30, 2013 and 2012, respectively.

Key components of our results of operations

### Operating Revenues

We classify our operating revenues into the following four categories:

**Card Revenues and Other Fees** — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. 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 at certain ATMs in accordance with the terms and conditions in our cardholder agreements. We charge new card fees when a consumer purchases a GPR or gift card in a retail store. 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 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 our premium program — the VIP program — which provides benefits for our more active cardholders.

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 conduct ATM transactions on our fee-free ATM network, consisting of more than 23,000 nationwide ATMs as of December 2012. 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

## Table of Contents

mix of products that we sell since there are variations in new card fees between Green Dot-branded and co-branded products and between GPR cards and gift cards.

**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 the payment networks, when customers make purchase transactions using our products. Our aggregate interchange revenues vary based primarily on the number of active cards in our portfolio, the average transactional volume of the active cards in our portfolio and on the mix of cardholder purchases between those using signature identification technologies and those using personal identification numbers.

**Stock-based retailer incentive compensation** — In May 2010, we issued to Walmart 2,208,552 shares of our Class A common stock, subject to our right to repurchase them at \$0.01 per share upon a qualifying termination of our prepaid card program agreement with Walmart and GE Capital Retail Bank, formerly GE Money Bank. We recognize each month the fair value of the 36,810 shares issued to Walmart 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, which could occur if we experienced certain changes in our control or under certain other limited circumstances, such as a termination of our commercial agreement with Walmart and GE Capital Retail Bank). We record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues.

### **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, 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 and, in certain cases, by the revenue generated from the ongoing use of those cards. We incur advertising and marketing expenses for television, online and in-store promotions. 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 our operating 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 function, we employ third-party contractors to conduct call center operations, handle routine customer service inquiries and provide consulting 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 payment networks, which process transactions for us, the third-party card processor that maintains the records of our customers' accounts and processes transaction authorizations and postings for us, and the third-party banks that issue our prepaid cards. These costs generally vary based on the total number of active cards in our portfolio and gross dollar volume.

**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, transaction losses (losses from customer disputed transactions, 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 customer disputed transactions, 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, business development, risk management and internal controls and are generally not correlated with our operating revenues or other transaction metrics.

20

---



Table of Contents

## 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.

## Critical Accounting Policies and Estimates

Reference is made to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012. There have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2013.

## Recent Accounting Pronouncements

Reference is made to the recent accounting pronouncements disclosed in Note 2 — Summary of Significant Accounting Policies to the Consolidated Financial Statements included herein.

## Comparison of Three-Month Periods Ended September 30, 2013 and 2012

## Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, cash transfer revenues and interchange revenues as well as contra-revenue items:

	Three Months Ended September 30, 2013		2012		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
	(In thousands, except percentages)				
Operating revenues:					
Card revenues and other fees	\$51,066	37.4	% \$52,548	39.6	%
Cash transfer revenues	47,193	34.6	41,832	31.5	
Interchange revenues	40,872	29.9	39,581	29.8	
Stock-based retailer incentive compensation	(2,587)	(1.9)	(1,202)	(0.9)	)
Total operating revenues	\$136,544	100.0	% \$132,759	100.0	%

Card Revenues and Other Fees — Card revenues and other fees totaled \$51.1 million for the three months ended September 30, 2013, a decrease of \$1.4 million, or 3%, from the comparable period in 2012. The decrease was primarily the result of a decline in monthly maintenance fees due to an increase in fee waivers earned by cardholders. The decrease in card revenues and other fees was also due to a decline in new card fees as a result of a period-over-period decline in new card sales and a decline in ATM fees as a result of higher usage of our fee-free ATM network. The decreases in monthly maintenance fees, new card fees and ATM fees were partially offset by period-over-period growth in our gift card program.

Cash Transfer Revenues — Cash transfer revenues totaled \$47.2 million for the three months ended September 30, 2013, an increase of \$5.4 million, or 13%, from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 9% in the number of cash transfers sold. The increase in cash transfer volume was driven primarily by growth in cash transfer volume from third-party programs participating in our network, which increased by approximately four percentage points as compared to the comparable period in 2012.

Interchange Revenues — Interchange revenues totaled \$40.9 million for the three months ended September 30, 2013, an increase of \$1.3 million, or 3%, from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 10% in purchase volume, partially offset by a slight decline in the effective interchange rate we earn on purchase volume. This rate decline was the result of a shift in the mix of payment networks and payment types. We expect to experience a seasonal pattern in our interchange revenues during 2013 similar to that which we experienced in 2012, as we expect purchase volume will be higher during the first half of 2013, as compared to the remainder of 2013.



Table of Contents

Stock-based Retailer Incentive Compensation — Our right to repurchase lapsed as to 110,430 shares issued to Walmart during the three months ended September 30, 2013. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock, resulting in \$2.6 million of stock-based retailer incentive compensation, an increase of \$1.4 million, or 117%, from the comparable period in 2012. The increase was the result of a higher stock price in the three months ended September 30, 2013 compared with the corresponding period in 2012. Our stock price reached its all-time low in the second half of 2012. While we cannot assure you that our stock price will not decline, we expect our stock-based retailer incentive compensation expense to be significantly higher in the second half of 2013, as compared to the second half of 2012, as a result of the appreciation of our stock price in recent periods.

## 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 September 30, 2013		2012		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(In thousands, except percentages)					
Operating expenses:					
Sales and marketing expenses	\$52,042	38.1	% \$51,930	39.1	%
Compensation and benefits expenses	32,343	23.7	29,041	21.9	
Processing expenses	22,231	16.3	18,802	14.2	
Other general and administrative expenses	21,954	16.1	18,109	13.6	
Total operating expenses	\$128,570	88.7	% \$117,882	85.9	%

Sales and Marketing Expenses — Sales and marketing expenses totaled \$52.0 million for the three months ended September 30, 2013, an increase of \$0.1 million, or 0% from the comparable period in 2012. This slight increase was primarily the result of an increase in the sales commissions, driven by period-over-period growth of 9% in the number of cash transfers sold and an increase in the sales commission rate we pay to Walmart for the MoneyCard program, which increased in May 2013 by approximately four percentage points. This increase was offset by a decrease in advertising and marketing expenses as we reduced the level of our television and online advertising. We expect to incur additional sales and marketing expenses during the remainder of 2013, as discussed under "Financial Results and Trends."

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$32.3 million for the three months ended September 30, 2013, an increase of \$3.3 million or 11%, from the comparable period in 2012. This increase was primarily the result of a \$4.4 million increase in employee compensation and benefits, including a \$1.7 million increase in stock-based compensation expense. The period-over-period growth in employee compensation and benefits is primarily related to our efforts to attract and retain technology development personnel. The increase in compensation and benefits expenses was partially offset by a \$1.1 million decline in third-party contractor expenses.

Processing Expenses — Processing expenses totaled \$22.2 million for the three months ended September 30, 2013, an increase of \$3.4 million, or 18% from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 10% in purchase volume, a decline in volume incentives from payment networks and higher usage of our fee-free ATM network. Processing expenses were partially offset by a reduction in third-party issuing bank fees as we transitioned our card issuing program with Synovus Bank to our subsidiary bank in November 2012.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$22.0 million for the three months ended September 30, 2013, an increase of \$3.9 million, or 22%, from the comparable period in 2012. This increase was primarily the result of a \$2.1 million increase in depreciation and amortization of property and equipment associated with our investment in technology to support our new product launches and improve our core infrastructure and a \$1.4 million increase in transaction losses, primarily associated with customer disputed

transactions.

22

---

Table of Contents

## Income Tax Expense

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

	Three Months Ended September 30,			
	2013		2012	
U.S. federal statutory tax rate	35.0	%	35.0	%
State income taxes, net of federal benefit	1.8		2.2	
General business credits	(6.2	)	—	
Employee stock-based compensation	(0.4	)	1.9	
Other	0.2		0.2	
Effective tax rate	30.4	%	39.3	%

Our income tax expense decreased by \$3.6 million to \$2.6 million in the three months ended September 30, 2013 from the comparable period in 2012 due to a decrease in our effective tax rate by approximately 9 percentage points from 39.3% to 30.4%, primarily due to general business credits we recognized in the third quarter of 2013 related to California's enterprise zone program, and a decrease in income before income taxes over those same periods. Although we expect to recognize general business credits in the fourth quarter of 2013 and beyond, we believe our effective tax rate for the foreseeable future will be higher than our effective tax rate for three months ended September 30, 2013.

## Comparison of Nine-Month Periods Ended September 30, 2013 and 2012

## Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, cash transfer revenues and interchange revenues as well as contra-revenue items:

	Nine Months Ended September 30,		2012		
	2013	% of Total	2012	% of Total	
	Amount	Operating Revenues	Amount	Operating Revenues	
	(In thousands, except percentages)				
Operating revenues:					
Card revenues and other fees	\$ 170,762	39.6	% \$ 171,632	42.0	%
Cash transfer revenues	137,161	31.8	121,721	29.8	
Interchange revenues	129,541	30.0	122,615	30.0	
Stock-based retailer incentive compensation	(6,163	) (1.4	) (6,985	) (1.7	)
Total operating revenues	\$ 431,301	100.0	% \$ 408,983	100.0	%

Card Revenues and Other Fees — Card revenues and other fees totaled \$170.8 million for the nine months ended September 30, 2013, a decrease of \$0.8 million, or less than 1%, from the comparable period in 2012. This decline was driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2013 and 2012—Operating Revenues—Card Revenues and Other Fees.”

Cash Transfer Revenues — Cash transfer revenues totaled \$137.2 million for the nine months ended September 30, 2013, an increase of \$15.5 million, or 13%, from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 11% in the number of cash transfers sold. The increase in cash transfer volume was driven primarily by growth in cash transfer volume from third-party programs participating in our network. The proportion of total cash transfer revenues represented by third party programs increased by approximately six percentage points as compared to the comparable period in 2012.

Interchange Revenues — Interchange revenues totaled \$129.5 million for the nine months ended September 30, 2013, an increase of \$6.9 million, or 6%, from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 7% in purchase volume.

Stock-based Retailer Incentive Compensation — Our right to repurchase lapsed as to 331,290 shares issued to Walmart during the nine months ended September 30, 2013. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock, resulting in \$6.2 million of stock-based retailer incentive

compensation, a decrease of \$0.8 million, or 11%, from the comparable period in 2012. The decrease was the result of a lower average stock price in the nine months ended September 30, 2013 compared with the corresponding period in 2012.

Table of Contents

## 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:

	Nine Months Ended September 30, 2013		2012		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(In thousands, except percentages)					
Operating expenses:					
Sales and marketing expenses	\$ 159,899	37.1	% \$ 157,516	38.5	%
Compensation and benefits expenses	95,297	22.1	83,074	20.3	
Processing expenses	64,178	14.9	58,668	14.3	
Other general and administrative expenses	63,259	14.7	52,075	12.7	
Total operating expenses	\$382,633	88.7	% \$351,333	85.9	%

Sales and Marketing Expenses — Sales and marketing expenses totaled \$159.9 million for the nine months ended September 30, 2013, an increase of \$2.4 million, or 2% from the comparable period in 2012. This increase was primarily the result of an increase in the sales commissions, driven by period-over-period growth of 11% in the number of cash transfers sold and an increase in the sales commission rate we pay to Walmart for the MoneyCard program, which increased in May 2013 by approximately four percentage points. The increase in sales and marketing expenses was also due to higher costs of manufacturing and distributing card packages related to new product launches and the transition of our card issuing program with Synovus Bank to our subsidiary bank. The increase was partially offset by a decline in advertising and marketing expenses as we reduced our television and online advertising. We expect to incur additional sales and marketing expenses during the remainder of 2013, as discussed above under "Financial Results and Trends."

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$95.3 million for the nine months ended September 30, 2013, an increase of \$12.2 million or 15%, from the comparable period in 2012. This increase was primarily the result of a \$10.6 million increase in employee compensation and benefits, driven by higher average employee headcount for the period, our efforts to attract and retain technology personnel, and the recognition of retention-based incentives associated with our acquisition of Loopt. These retention-based incentives impacted the last three quarters of 2012 and the first three quarters of 2013.

Processing Expenses — Processing expenses totaled \$64.2 million for the nine months ended September 30, 2013, an increase of \$5.5 million, or 9% from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 7% in purchase volume. Processing expenses were partially offset by a reduction in third-party issuing bank fees as we transitioned our card issuing program with Synovus Bank to our subsidiary bank in November 2012.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$63.3 million for the nine months ended September 30, 2013, an increase of \$11.2 million, or 21%, from the comparable period in 2012. This increase was primarily the result of a \$7.3 million increase in depreciation and amortization of property and equipment associated with our investment in technology to support our new products launches and improve our core infrastructure, and a \$3.1 million increase in transaction losses, primarily associated with customer disputed transactions.

Table of Contents

## Income Tax Expense

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

	Nine Months Ended September 30,		
	2013	2012	%
U.S. federal statutory tax rate	35.0	% 35.0	%
State income taxes, net of federal benefit	1.8	1.8	
General business credits	(3.2	) —	
Employee stock-based compensation	1.6	1.9	
Other	0.2	0.6	
Effective tax rate	35.4	% 39.3	%

Our income tax expense decreased by \$5.8 million to \$18.1 million in the nine months ended September 30, 2013 from the comparable period in 2012 due to a decrease in income before income taxes over those same periods and a decrease in our effective tax rate by 3.9 percentage points from 39.3% to 35.4%, primarily driven by general business credits related to 2012 and 2013 of \$0.8 million and \$1.0 million, respectively. Excluding the impact of the discrete items related to 2012, our effective tax rate in the nine months ended September 30, 2013 would have been 37.0%.

## Liquidity and Capital Resources

The following table summarizes our major sources and uses of cash for the periods presented:

	Nine Months Ended September 30,		
	2013	2012	
	(In thousands)		
Total cash provided by (used in)			
Operating activities	\$92,993	\$83,316	
Investing activities	(78,915	) (169,415	)
Financing activities	19,132	28,084	
Increase in unrestricted cash and cash equivalents	\$33,210	\$(58,015	)

In the nine-month periods ended September 30, 2013 and 2012, we financed our operations primarily through our cash flows from operations. At September 30, 2013, our primary source of liquidity was unrestricted cash and cash equivalents totaling \$328.9 million. We also consider our \$236.2 million of investment securities available-for-sale to be highly-liquid instruments.

We use trend and variance analysis as well as our detailed budgets and forecasts 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 and our Series A convertible junior participating non-cumulative perpetual preferred stock. No assurance can be given that additional financing will be available or that, if available, such financing can be obtained on terms favorable to our stockholders and us.

## Cash Flows from Operating Activities

Our \$93.0 million of net cash provided by operating activities in the nine months ended September 30, 2013 principally resulted from \$33.0 million of net income, adjusted for certain non-cash operating expenses of \$39.3 million, and a decrease in accounts payable and accrued liabilities and income tax receivable of \$11.4 million and \$7.5 million, respectively. Our \$83.3 million of net cash provided by operating activities in the nine months ended September 30, 2012 principally resulted from \$36.8 million of net income, adjusted for certain non-cash operating expenses of \$30.0 million, partially offset by an increase in prepaid expenses and other assets of \$11.0 million.



Table of Contents

Cash Flows from Investing Activities

Our \$78.9 million of net cash used in investing activities in the nine months ended September 30, 2013 reflects purchases of available-for-sale investment securities, net of sales and maturities, of \$53.0 million and payments for acquisition of property and equipment of \$26.9 million. Our \$169.4 million of net cash used in investing activities in the nine months ended September 30, 2012 reflects purchases of available-for-sale investment securities, net of sales and maturities, of \$115.2 million, payments for acquisition of property and equipment of \$23.3 million and net payments to acquire Loopt for \$33.4 million.

Cash Flows from Financing Activities

Our \$19.1 million of net cash provided by financing activities in the nine months ended September 30, 2013 was primarily the result of increases in obligations to customers of \$15.0 million, proceeds from the exercise of stock options and the issuance of shares under our employee stock purchase plan of \$9.6 million and excess tax benefits of \$3.7 million, partially offset by a decrease in customer deposits of \$9.2 million. Our \$28.1 million of net cash provided by financing activities for the nine months ended September 30, 2012 was the result of increases in obligations to customers of \$23.1 million, proceeds from the exercise of stock options and the issuance of shares under our employee stock purchase plan of \$2.7 million and excess tax benefits of \$2.7 million.

Commitments

We anticipate that we will continue to purchase property and equipment as necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of employees, the rate of change of computer hardware and software used in our business and our business outlook. During the fourth quarter of 2013, we intend to continue to invest in new products and programs, new features for our existing products and IT infrastructure to scale and operate effectively to meet our strategic objectives. We expect the level of our total investment in capital expenditures for 2013 to be similar to the level of investment in 2012.

We have used cash to acquire businesses and technologies and we anticipate that we may continue to do so in the future. The nature of these transactions makes it difficult to predict the amount and timing of such cash requirements. We may also be required to raise additional financing to complete future acquisitions.

Additionally, we anticipate making ongoing cash contributions to our subsidiary bank, Green Dot Bank, to maintain its capital, leverage and other financial commitments at levels we have agreed to with our regulators. For example, should we receive regulatory approval for the proposed transition of our card issuing program with GE Capital Retail Bank to our subsidiary bank, we would expect to make additional contributions to our subsidiary bank and settle our liability associated with overdrawn cardholder account balances, which is included in our consolidated balance sheet as "amounts due to card issuing banks for overdrawn accounts."

Contractual Obligations

There have been no material changes in our contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Off-Balance Sheet Arrangements

During the nine-month periods ended September 30, 2013 and 2012, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Table of Contents

## Capital Requirements for Bank Holding Companies

As of September 30, 2013 and December 31, 2012, we were categorized as well capitalized under the regulatory framework. There were no conditions or events since September 30, 2013 which management believes would have changed our category as well capitalized. Our actual and the "well capitalized" minimum amounts and ratios were as follows:

	Actual		Regulatory "well capitalized" minimum		
	Amount	Ratio	Amount	Ratio	
(In thousands, except ratios)					
September 30, 2013					
Tier 1 leverage	\$354,086	46.0	% \$38,458	5.0	%
Tier 1 capital	354,086	101.8	% 21,015	6.0	%
Total risk-based capital	\$354,086	101.8	% \$35,025	10.0	%
December 31, 2012					
Tier 1 leverage	\$289,323	47.8	% \$30,266	5.0	%
Tier 1 risk-based capital	289,323	84.3	% 20,591	6.0	%
Total risk-based capital	\$289,323	84.3	% \$34,318	10.0	%

## ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

We do have exposure to credit and liquidity risk associated with the financial institutions that hold our cash and cash equivalents, restricted cash, available-for-sale investment securities, settlement assets due from our retail distributors that collect funds and fees from our customers, and amounts due from our issuing banks for fees collected on our behalf.

We manage the credit and liquidity risk associated with our cash and cash equivalents, available-for-sale investment securities and amounts due from issuing banks by maintaining an investment policy that restricts our correspondent banking relationships to approved, well capitalized institutions and restricts investments to highly liquid, low credit risk related assets. Our policy has limits related to liquidity ratios, the concentration that we may have with a single institution or issuer and effective maturity dates as well as restrictions on the type of assets that we may invest in. The management Asset Liability Committee is responsible for monitoring compliance with our Capital Asset Liability Management policy and related limits on an ongoing basis, and reports regularly to the audit committee of our board of directors.

Our exposure to credit risk associated with our retail distributors is mitigated due to the short time period, currently an average of two days that retailer settlement assets are outstanding. We perform an initial credit review and assign a credit limit to each new retail distributor. We monitor each retail distributor's settlement asset exposure and its compliance with its specified contractual settlement terms on a daily basis and assess their credit limit and financial condition on a periodic basis. Our management's Enterprise Risk Management Committee is responsible for monitoring our retail distributor exposure and assigning credit limits and reports regularly to the audit committee of our board of directors.

## ITEM 4. Controls and Procedures

Disclosure controls and procedures — Our management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Executive Officer as acting Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 13d-15(e)), and internal control over financial reporting (as defined in Exchange Act

Rules 13a-15(f) and 15d-15(f)) at the end of the period covered by this report. Based on such evaluation of our disclosure controls and procedures, our principal executive officer and principal financial officer have concluded that, at the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's, or SEC's, rules and forms and is accumulated and communicated to

Table of Contents

our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Change in internal control over financial reporting — There was no material change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls — Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Table of Contents

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. The descriptions below include any material changes to and supersede the description of the risk factors affecting our business previously disclosed in “Part II, Item 1A. Risk Factors” of our Quarterly Report on Form 10-Q filed with the SEC on August 9, 2013.

Risks Related to 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 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;
- the timing of commencement of new product development and initiatives that cause us to expand into new distribution channels, such as our GoBank product, and the length of time we must invest in those new products or channels before they generate material operating revenues;
- our ability to obtain timely regulatory approval for strategic initiatives, such as the proposed migration of our Walmart MoneyCard program from GE Capital Retail Bank to our subsidiary bank;
- changes in our or our competitors’ pricing policies or sales terms;
- significant changes in our risk policies and controls;
- 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, including our investments in a processing solution to eventually replace the processing services provided by Total System Services, Inc.;
- our ability to control costs, including third-party service provider costs and sales and marketing expenses in an increasingly competitive market;
- volatility in the trading price of our Class A common stock, which may lead to higher or lower 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 political or regulatory environment affecting the banking or electronic payments industries generally or prepaid financial services specifically.

Table of Contents

The loss of operating revenues from Walmart and our three other largest 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 of our three other largest retail distributors, as a group, were approximately 65% and 22%, respectively, in the nine months ended September 30, 2013. We do not expect the percentage of our 2013 total operating revenues derived from products and services sold at Walmart stores to change significantly from the percentage in the nine months ended September 30, 2013, 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 2014 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 Capital Retail Bank or us, GE Capital Retail Bank's or our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. Walmart also has the right to terminate its agreement prior to its expiration or renewal for a number of other specified reasons, including: a change by GE Capital Retail Bank in its card operating procedures that Walmart reasonably believes will have a material adverse effect on Walmart's operations; our inability or unwillingness to make Walmart MoneyCards reloadable outside of our reload network in the event that our reload network does not meet particular size requirements in the future; and in the event Walmart reasonably believes that it is reasonably possible, after the parties have explored and been unable to agree on any alternatives, that the Federal Reserve Board may determine that Walmart exercises a controlling influence over our management or policies. 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, including competing prepaid cards, 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; they could give higher priority to the products and services of other companies for a variety of reasons, and this risk is expected to become greater as we enter an environment in which our competitors are bringing to market at the stores of our retail distributors products and services that are, or that may be perceived to be, substantially similar to or better than ours. 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, as retail distributors introduce and promote competing products at their store locations, as Walmart began to do in October 2012, the growth of our product sales may decline at those stores. Similarly, if a retail distributor reduces shelf space for our products or implements changes in its systems that disrupt the integration between its systems and ours, our product sales could be reduced or decline. Even

if our retail distributors actively and effectively promote our products and services, there can be no assurance that their efforts will maintain or result in growth of our operating revenues.

Our operating revenues for a particular period are difficult to predict, and a shortfall in our operating revenues may harm our results of operations.

Our operating revenues for a particular period are difficult to predict, especially in light of recent developments in the competitive environment of our market and related uncertainty. Our card revenues and other fees, cash transfer revenues and interchange revenues, collectively, may decline or grow at a slower rate than in prior periods, as it did

Table of Contents

in 2012. Our ability to meet financial expectations could be adversely affected by various factors such as increasing competition within the store locations of many of our largest retail distributors, and our continued implementation of enhanced risk control factors, which we believe is likely to, among other things, continue to adversely affect our new card activations from legitimate customers for the foreseeable future. We also expect seasonal or other influences, including potential 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. For example, in recent years, our results for each of the first three quarters have been favorably affected by large numbers of taxpayers electing to receive their tax refunds via direct deposit on our cards, which caused our operating revenues to be typically higher in the first halves of those years than they were in the corresponding second halves of those years.

Our ability to increase card usage and cardholder retention and to attract new long-term users of our products can also have a significant effect on our operating revenues. We may be unable to generate increases in card usage, cardholder retention or attract new long-term users of our products 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 existing and prospective cardholders. As a result, our operating results could vary materially from period to period based on the degree to which we are successful in increasing card usage and cardholder attention and attracting long-term users of our products.

Any of the above factors could have a material adverse impact on our business, operating results and financial condition.

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

The prepaid financial services industry is highly competitive and includes a variety of financial and non-financial services vendors. We expect competition to intensify as existing competitors and new market entrants are bringing to market products and services that are substantially similar to ours or that may be perceived to be better than ours. For example, Walmart began selling an American Express-branded checking account alternative product at its store locations in October 2012. Competition is expected to negatively impact our operating revenues, excluding stock-based retailer incentive compensation, and could cause us to compete on the basis of price or increase our sales and marketing expenses, any of which would likely seriously harm our business, operating results and financial condition. Our current and potential competitors include:

prepaid card program managers, such as American Express Company, First Data Corporation, Total Systems Services, Inc., AccountNow, Inc., PreCash Inc. and other traditional banks, such as J.P. Morgan Chase & Co., that have entered the prepaid card market;

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

prepaid card distributors, such as InComm and Blackhawk Network, Inc.

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 actual and potential competition from retail distributors or from other companies, such as PayPal and Visa that have decided or 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. In particular, our recently-introduced GoBank product is designed to compete directly with banks by providing products and services that they have traditionally provided. These and other competitors in the larger electronic payments industry are introducing new and innovative products and services, such as those involving radio frequency and proximity payment devices (such as contactless cards), e-commerce and mobile commerce, that compete with ours. We expect that this competition will intensify as the prepaid financial services



industry and the larger banking and electronic payments industry continues to rapidly evolve. 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

Table of Contents

than we do to achieve broader brand recognition, customer awareness and retail penetration. We could experience increased price competition as we are facing increased competition with a greater number of offerings from existing competitors and new market entrants at the stores of many of our retail distributors. If this happens, we expect that the purchase and use of our products and services would decline in the near term and farther into the future. If price competition materially intensifies, we may have to increase the incentives that we offer to our retail distributors and decrease the prices of our products and services, any which would likely adversely affect our operating results. Our long-term success 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 make significant investments in new products and services that may not be successful.

Our prospects for growth depend on our ability to innovate by offering new, and adding value to our existing, product and service offerings and on our ability to effectively commercialize such innovations. We will continue to make significant investments in research, development, and marketing for new products and services, including GoBank and other mobile or banking products arising out of our acquisitions or otherwise. Investments in new products and services are speculative. Commercial success depends on many factors, including innovativeness, price, the competitive environment and effective distribution and marketing. If customers do not perceive our new offerings as providing significant value, they may fail to accept our new products and services, which would negatively impact our operating revenues. We may not achieve significant operating revenues from new product and service investments for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as high as the margins we have experienced in the past.

Fraudulent and other illegal activity involving our products and services could lead to reputational damage to us, reduce the use and acceptance of our cards and reload network, and may adversely affect our financial position and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities involving prepaid cards, reload products or cardholder information. These activities often include malicious social engineering schemes, where people are asked to provide a prepaid card or reload product in order to obtain a loan or purchase goods or services. Illegal activities may also include 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. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, operating results and financial condition. Furthermore, we have accelerated the implementation of risk control mechanisms that have made it more difficult for all customers, including legitimate customers, to obtain and use our products and services. We believe it is likely that our risk control mechanisms will continue to adversely affect our new card activations from legitimate customers for the foreseeable future and that our operating revenues, excluding stock-based retailer incentive compensation, will be negatively impacted as a result.

As a bank holding company, we are subject to extensive and potentially changing regulation and may be required to serve as a source of strength for Green Dot Bank, which may adversely affect our business, financial position and results of operations.

As a bank holding company, we are subject to comprehensive supervision and examination by the Federal Reserve Board and must comply with applicable regulations and other commitments we have agreed to, including financial commitments in respect to minimum capital and leverage requirements. If we fail to comply with any of these requirements, we may become subject to formal or informal enforcement actions, proceedings, or investigations, which could result in regulatory orders, restrictions on our business operations or requirements to take corrective actions, which may, individually or in the aggregate, affect our results of operations and restrict our ability to grow. If

we fail to comply with the applicable capital and leverage requirements, or if our subsidiary bank fails to comply with its applicable capital and leverage commitments, the Federal Reserve Board may limit our ability to pay dividends, or if we become less than adequately capitalized, require us to raise additional capital. In addition, as a bank holding company and a financial holding company, we are generally prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies and financial holding companies. This restriction might limit our ability

Table of Contents

to pursue future business opportunities which we might otherwise consider but which might fall outside the scope of permissible activities.

Moreover, in response to the financial crisis of 2008 and the Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, banking supervisors in the United States continue to implement a variety of new requirements on banking entities. Some of these requirements apply or will apply directly to us or to our subsidiary bank, while certain requirements apply or will apply only to larger institutions. Although we cannot anticipate the final form of many of these regulations, how they will affect our business or results of operations, or how they will change the competitive landscape in which we operate, such regulations could have a material adverse impact on our business and financial condition, particularly if they make it more difficult for us or our retail distributors to sell our card products.

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 or the interpretation or enforcement thereof 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 or in the way those laws and regulations are interpreted or enforced 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. In addition, if our products are adversely impacted by the interpretation or enforcement of these regulations or we or any of our retail distributors were unwilling or unable to make any such operational changes to comply with the interpretation or enforcement thereof, 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.

State and federal legislators and regulatory authorities remain increasingly focused on the banking and consumer financial services industries, and may propose and adopt new legislation that could result in significant adverse changes in the regulatory landscape for financial institutions and financial services companies. For example, the Consumer Financial Protection Bureau, or CFPB, issued an advance notice of proposed rulemaking in May 2012, requesting comment on topics including the scope of regulation of prepaid cards, fees and disclosures applicable to prepaid cards, product features and other information. If the CFPB's rulemaking results in changes in the way we or the banks that issue our cards are regulated, these regulations 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 or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues. However, as the CFPB has not yet proposed any such rules, and is not expected to until late 2013, it is difficult to determine with any certainty what obligations the final rules might impose or what impact they might have on our business.

On July 31, 2013, the U.S. District Court in the District of Columbia overturned the Federal Reserve's rules regarding interchange fees and network exclusivity, a provision of the Dodd-Frank Act commonly referred to as the Durbin Amendment. The Federal Reserve is appealing the ruling and final resolution is expected in the first half of 2014. The current debit interchange cap and network exclusivity rules will remain in place until the Federal Reserve can replace the invalidated portions of the rule. 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. While the interchange rates that may be earned by us and our bank will be unaffected by this ruling, there can be no assurance that future regulation or changes by Visa or MasterCard in response to this ruling will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by Visa or MasterCard or future regulation, we would likely need to change our fee structure to offset the loss of 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 total operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

Table of Contents

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. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities.

Many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. For example, with increasing frequency, federal and state regulators are holding businesses like ours to higher standards of training, monitoring and compliance, including monitoring for possible violations of laws by the businesses that participate in our reload network. Failure by us or those businesses to comply with the laws and regulations to which we are or may become 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 rules or standards set by the payment networks, such as Visa and MasterCard, or changes in 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 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 System 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, 2013, 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 the payment networks set and adjust from time to time. The enactment of the Dodd-Frank Act required the Federal Reserve Board to implement regulations that have substantially limited interchange fees for many issuers. While we believe the interchange rates that may be earned by us and our subsidiary bank are exempt from such limitations, in light of this legislation and recent attention generally on interchange rates in the United States, there can be no assurance that the interpretation or enforcement of interchange legislation or regulation will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by the payment networks, changes in regulation in response to the recent court ruling on the Federal Reserve's interchange rules or the interpretation or enforcement thereof, we would likely need to change our fee structure to compensate for lost interchange revenues. However, our ability to make these changes is limited by the terms of our contracts and other commercial factors, such as price competition. 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, and we could suffer reputational damage and become subject to greater regulatory scrutiny. 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 actual operating results may differ significantly from our guidance.

From time to time, we may issue guidance in our quarterly results 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.

Table of Contents

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 Item 1A could result in our actual operating results being different from our guidance, and such differences may be adverse and material.

We rely on relationships with third-party 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.

Through the third quarter of 2013, our cards under the Walmart MoneyCard program were issued by GE Capital Retail Bank, formerly GE Money Bank. We are in the process of obtaining regulatory approval for our proposed transition of this program to our subsidiary bank. There can be no assurance that we will obtain regulatory approval and consequently our relationship with GE Capital Retail Bank may continue to be a critical component of our ability to conduct our business and to maintain our revenue and expense structure.

We may be unable to maintain relationships with the third-party banks that issue our cards for a variety of reasons, including increased regulatory oversight, more burdensome regulation of our industry, increased compliance requirements or changes in business strategy. If we lose or do not maintain existing third-party banking relationships, we could 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 third-party 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 renew our agreements with third-party card issuing banks 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, Inc., in a timely manner if they were unwilling or unable to provide us with these services during the term of their agreements with us and our business and operations could be adversely affected. In February 2013, we amended our card processing agreement with Total System Services, Inc. to extend the term of our agreement by sixteen months to December 31, 2015.

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 may overstate the

Table of Contents

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.

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 are subject to regulatory oversight in the normal course of our business, and have been and from time to time may be subject to regulatory or judicial proceedings or investigations. The outcome of securities class actions and other litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, seek to have aspects of our business suspended or modified or seek to impose sanctions, including significant monetary fines. The monetary and other impact of these actions, litigations, proceedings or investigations may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant. Further, an unfavorable resolution of litigation, proceedings or investigations could have a material adverse effect on our business, operating results, or financial condition. In this regard, such costs could make it more difficult to maintain the capital, leverage and other financial commitments at levels we have agreed to with the Federal Reserve Board and the Utah Department of Financial Institutions.

If regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, adverse publicity that may be associated with these 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, and could impact the price of our Class A common stock. In addition, such proceedings or investigations could increase the risk that we will be involved in litigation. The outcome of any such litigation is difficult to predict and the cost to defend, settle or otherwise resolve these matters may be significant. For the foregoing reasons, 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 or our stock price could decline.

We must adequately protect our brand and our 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.

## Table of Contents

We rely on a combination of patent, 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 currently have four patents outstanding and seven patents pending. Although we generally seek patent protection for inventions and improvements that we anticipate will be incorporated into our products and services, there is always a chance that our patents or patent applications could be challenged, invalidated or circumvented, or that an issued patent will not adequately cover the scope of our inventions or improvements incorporated into our products or services.

Additionally, our patents could be circumvented by third-parties.

Recent and proposed changes to U.S. patent laws and rules may also affect our ability to protect and enforce our intellectual property rights. For example, the recently passed Leahy-Smith America Invents Act, will transition the manner in which patents are issued and change the way in which issued patents are challenged. The long-term impact of these changes are unknown, but this law could cause a certain degree of uncertainty surrounding the enforcement and defense of our issued patents, as well as greater costs concerning new and existing patent applications.

We may unknowingly violate the intellectual property or other proprietary rights of others and, thus, may be subject to claims by third parties. These assertions may increase over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the mobile technology field, the secrecy of some pending patents, and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its elements infringes or will infringe on the patent rights of others. Regardless of the merit of these claims, we may be required to devote significant time and resources to defending against these claims or to protecting and enforcing our own rights. We might also be required to develop a non-infringing technology or enter into license agreements and there can be no assurance that licenses will be available on acceptable terms and conditions, if at all. 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 accounts.

Fraudulent activity involving our products may lead to cardholder disputed transactions, for which we may be liable under banking regulations and payment network rules. Our fraud detection and risk control mechanisms may not prevent all fraudulent or illegal activity. To the extent we incur losses from disputed transactions, our business, results of operations and financial condition could be materially and adversely affected.

Additionally, 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 assessments accounted for approximately 96% of aggregate overdrawn account balances in the nine months ended September 30, 2013, as compared to approximately 94% in the nine months ended September 30, 2012. 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. Our remaining overdraft exposure arises primarily from late-posting. A late-post occurs when a merchant posts a transaction within a payment network-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.

37

---

Table of Contents

Acquisitions or investments could disrupt our business and harm our financial condition.

We have in the past acquired, and we expect to acquire in the future, other businesses and technologies. The process of integrating an acquired business, product, service or technology can create unforeseen operating difficulties, expenditures and other challenges such as:

- increased regulatory and compliance requirements;
- regulatory restrictions on revenue streams of acquired businesses;
- 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;
- integration of 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
- increased 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 successfully integrate an acquired business or technology or otherwise address these difficulties and challenges or other problems encountered in connection with an acquisition, we might not realize the anticipated benefits of that acquisition, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally. To integrate acquired businesses, we must implement our technology systems in the acquired operations and integrate and manage the personnel of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests, and may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions.

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.

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.



Table of Contents

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 for the benefit of these consumers at the banks that issue our cards. The remittance of these funds by the retail distributor takes on average two 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 September 30, 2013, we had assets subject to settlement risk of \$38.4 million. Given the possibility of recurring volatility in global financial markets, 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.

Economic downturns 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.

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. If conditions in the United States remain uncertain or deteriorate further, we may experience a reduction in 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. 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 manage any future growth.

Our ability to continue to provide our products and services to 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.





Table of Contents

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 recognize key personnel, namely our management team and experienced sales, marketing and program and systems management personnel. Replacing departing key personnel can involve organizational disruption and uncertainty. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty in managing transitions and 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; and
- 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. 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. 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.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, or GAAP. 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. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the

inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action, and could require us to restate, our financial

Table of Contents

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.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial condition and results of operations.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements. Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, banking regulators and our independent registered public accounting firm) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the need to revise and republish prior period financial statements.

Risks Related to Ownership of Our Class A Common Stock

The price of our Class A common stock may be volatile.

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 has been highly volatile since our initial public offering and may continue to be subject to wide fluctuations. The trading price of our Class A common stock depends 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. 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 and investigations or proceedings 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;
- changes to the indices in which our Class A common stock is included;
- 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.

Table of Contents

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

Our certificate of incorporation and 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 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 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 certificate of incorporation and 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.

In addition to the foregoing, under the BHC Act and the Change in Bank Control Act, and their respective implementing regulations, Federal Reserve Board approval is necessary prior to any person or company acquiring control of a bank or bank holding company, subject to certain exceptions. Control, among other considerations, exists if an individual or company acquires 25% or more of any class of voting securities, and may be presumed to exist if a person acquires 10% or more of any class of voting securities. These restrictions could affect the willingness or ability of a third party to acquire control of us for so long as we are a bank holding company.

If securities analysts do not continue to 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 currently 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.

Table of Contents

## ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
10.1	Offer letter to Grace Wang from the Registrant, dated August 27, 2013.
31.1	Certification of principal executive officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

---

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or \*part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Table of Contents

SIGNATURE

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

Green Dot Corporation

Date: November 8, 2013

By: /s/ Steven W. Streit

Name: Steven W. Streit

Title: Chairman, President, Chief Executive Officer, and  
acting Chief Financial Officer

(Authorized Officer and Principal Financial Officer)

Table of Contents

EXHIBIT INDEX

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
10.1	Offer letter to Grace Wang from the Registrant, dated August 27, 2013.
31.1	Certification of principal executive officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

---

Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or \*part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.