

GREEN DOT CORP  
Form 10-Q  
May 09, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended March 31, 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

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

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Delaware  
(State or other jurisdiction of incorporation or organization) 95-4766827  
(IRS Employer Identification No.)  
3465 E. Foothill Blvd.  
Pasadena, California 91107  
(Address of principal executive offices, including zip code) (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 32,221,202 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), and 3,917,906 shares of Class B common stock, par value \$.001 per

share, outstanding as of April 30, 2013.

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## PART I

## ITEM 1. Financial Statements

## GREEN DOT CORPORATION

## CONSOLIDATED BALANCE SHEETS

	March 31, 2013	December 31, 2012
	(unaudited)	
	(In thousands, except par value)	
Assets		
Current assets:		
Unrestricted cash and cash equivalents	370,159	293,590
Federal funds sold	3,001	3,001
Investment securities available-for-sale, at fair value	100,742	115,244
Settlement assets	48,459	36,127
Accounts receivable, net	50,561	40,441
Prepaid expenses and other assets	25,204	31,952
Income tax receivable	—	7,386
Net deferred tax assets	2,338	2,478
Total current assets	600,464	530,219
Restricted cash	634	634
Investment securities, available-for-sale, at fair value	62,443	68,543
Accounts receivable, net	10,913	10,931
Loans to bank customers, net of allowance for loan losses of \$450 and \$475 as of March 31, 2013 and December 31, 2012, respectively	7,228	7,552
Prepaid expenses and other assets	2,053	1,530
Property and equipment, net	58,098	58,376
Deferred expenses	9,784	12,510
Net deferred tax assets	4,579	4,629
Goodwill and intangible assets	30,772	30,804
Total assets	786,968	725,728
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	18,933	31,411
Deposits	222,022	198,451
Obligations to customers	61,204	46,156
Settlement obligations	16,940	3,639
Amounts due to card issuing banks for overdrawn accounts	53,178	50,724
Other accrued liabilities	29,089	29,469
Deferred revenue	14,852	19,557
Income tax payable	446	—
Total current liabilities	416,664	379,407
Other accrued liabilities	21,818	18,557
Total liabilities	438,482	397,964
Stockholders' equity:		
Convertible Series A preferred stock, \$0.001 par value: 10 shares authorized and 7 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	7	7
Class A common stock, \$0.001 par value; 100,000 shares authorized as of March 31, 2013 and December 31, 2012, respectively; 32,157 and 31,798 shares issued and outstanding as of March 31, 2013 and December 31, 2012,	32	31

respectively

Class B convertible common stock, \$0.001 par value, 100,000 shares authorized as of March 31, 2013 and December 31, 2012, respectively; 3,918 and 4,197 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	4	4
Additional paid-in capital	163,783	158,656
Retained earnings	184,556	168,960
Accumulated other comprehensive income	104	106
Total stockholders' equity	348,486	327,764
Total liabilities and stockholders' equity	786,968	725,728
See notes to unaudited consolidated financial statements		

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CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share data)	
Operating revenues:		
Card revenues and other fees	\$64,667	\$61,222
Cash transfer revenues	44,335	39,643
Interchange revenues	46,756	43,506
Stock-based retailer incentive compensation	(1,609	) (3,190
Total operating revenues	154,149	141,181
Operating expenses:		
Sales and marketing expenses	56,177	52,572
Compensation and benefits expenses	31,754	26,153
Processing expenses	21,999	20,850
Other general and administrative expenses	20,880	15,968
Total operating expenses	130,810	115,543
Operating income	23,339	25,638
Interest income	819	959
Interest expense	(17	) (24
Income before income taxes	24,141	26,573
Income tax expense	8,555	10,205
Net income	15,586	16,368
Income attributable to preferred stock	(2,493	) (2,650
Net income allocated to common stockholders	\$13,093	\$13,718
Basic earnings per common share:		
Class A common stock	\$0.36	\$0.39
Class B common stock	\$0.36	\$0.39
Basic weighted-average common shares issued and outstanding:		
Class A common stock	30,951	28,839
Class B common stock	4,096	5,230
Diluted earnings per common share:		
Class A common stock	\$0.35	\$0.37
Class B common stock	\$0.35	\$0.37
Diluted weighted-average common shares issued and outstanding:		
Class A common stock	36,293	35,867
Class B common stock	5,190	7,012
See notes to unaudited consolidated financial statements		

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GREEN DOT CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
Net income	15,586	16,368
Other comprehensive loss		
Unrealized holding gains (losses) arising during period, net of reclassification adjustments for amounts included in net income	(2	) (21
Comprehensive income	15,584	16,347
See notes to unaudited consolidated financial statements		

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GREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Operating activities		
Net income	15,586	16,368
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,354	3,651
Provision for uncollectible overdrawn accounts	15,470	14,450
Employee stock-based compensation	2,890	3,489
Stock-based retailer incentive compensation	1,609	3,190
Amortization of premium on available-for-sale investment securities	173	264
Realized gains (losses) on investment securities	6	(8
Recovery for uncollectible trade receivables	(41	) (429
Impairment of capitalized software	936	43
Deferred income tax expense	193	—
Excess tax benefits from exercise of options	(229	) (1,268
Changes in operating assets and liabilities:		
Accounts receivable, net	(26,529	) (20,328
Prepaid expenses and other assets	6,225	(4,364
Deferred expenses	2,726	2,833
Accounts payable and other accrued liabilities	(7,681	) 18,802
Amounts due issuing bank for overdrawn accounts	3,452	3,445
Deferred revenue	(4,705	) (5,452
Income tax receivable	8,067	2,577
Net cash provided by operating activities	24,502	37,263
Investing activities		
Purchases of available-for-sale investment securities	(46,841	) (122,077
Proceeds from maturities of available-for-sale securities	54,227	8,053
Proceeds from sales of available-for-sale securities	13,026	7,700
Decrease in restricted cash	—	(115
Payments for acquisition of property and equipment	(8,886	) (7,833
Net principal collections on loans	324	877
Acquisitions, net of cash acquired	—	(32,052
Net cash provided by (used in) investing activities	11,850	(145,447
Financing activities		
Proceeds from exercise of options	400	588
Excess tax benefits from exercise of options	229	1,268
Net increase in deposits	23,571	515
Net increase in obligations to customers	16,017	—
Net cash provided by financing activities	40,217	2,371
Net increase (decrease) in unrestricted cash, cash equivalents, and federal funds sold	76,569	(105,813



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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	373,160	119,620
Cash paid for interest	30	28
Cash paid for income taxes	302	9,827
See notes to unaudited consolidated financial statements		

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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 leading financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. Our products and services 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, which is expected to be available to U.S. consumers generally during the second or third quarter of 2013. 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, University National Bank, 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 three months ended March 31, 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 three months ended March 31, 2013 are not necessarily indicative of future results.

Recent Accounting Pronouncements

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.

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 3 — Investment Securities

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

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2013	(In thousands)			
Corporate bonds	\$33,647	\$38	\$(2)	) \$33,683
Commercial paper	45,118	26	—	45,144
Negotiable certificate of deposit	4,400	11	—	4,411
U.S. treasury notes	17,483	11	—	17,494
Agency securities	25,529	17	(1)	) 25,545
Municipal bonds	12,704	43	—	12,747
Asset-backed securities	24,145	16	—	24,161
Total fixed income securities	\$163,026	\$162	\$(3)	) \$163,185
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 fixed income securities	\$183,617	\$178	\$(8)	) \$183,787

As of March 31, 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		
March 31, 2013	(In thousands)					
Fixed income securities						
Corporate bonds	\$9,975	\$(2)	) \$—	\$—	\$9,975	\$(2)
Agency securities	5,999	(1)	) —	—	5,999	(1)
Total fixed income securities	\$15,974	\$(3)	) \$—	\$—	\$15,974	\$(3)
December 31, 2012						
Fixed income securities						
Corporate bonds	\$6,138	\$(2)	) \$—	\$—	\$6,138	\$(2)
Commercial paper	6,390	(2)	) —	—	6,390	(2)
Agency securities	6,302	(1)	) —	—	6,302	(1)
Municipal bonds	1,602	(3)	) —	—	1,602	(3)
Total fixed income securities	\$20,432	\$(8)	) \$—	\$—	\$20,432	\$(8)

We did not record any other-than-temporary impairment losses during the three-month periods ended March 31, 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.

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 3 — Investment Securities (continued)

As of March 31, 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	\$ 100,667	\$ 100,742
Due after one year through five years	37,162	37,206
Due after five years through ten years	1,052	1,076
Due after ten years	—	—
Asset-backed securities	24,145	24,161
Total fixed income securities	\$ 163,026	\$ 163,185

## Note 4—Accounts Receivable

Accounts receivable, net consisted of the following:

	March 31, 2013 (In thousands)	December 31, 2012
Overdrawn account balances due from cardholders	\$ 23,168	\$ 24,328
Reserve for uncollectible overdrawn accounts	(15,424	) (15,677
Net overdrawn account balances due from cardholders	7,744	8,651
Trade receivables	6,213	5,686
Reserve for uncollectible trade receivables	(28	) (69
Net trade receivables	6,185	5,617
Receivables due from card issuing banks	44,535	33,729
Other receivables	3,010	3,375
Accounts receivable, net	\$ 61,474	\$ 51,372

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

	Three Months Ended March 31, 2013 (In thousands)	2012
Balance, beginning of period	\$ 15,677	\$ 15,309
Provision for uncollectible overdrawn accounts:		
Fees	14,667	13,641
Purchase transactions	803	809
Charge-offs	(15,723	) (14,037
Balance, end of period	\$ 15,424	\$ 15,722

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## 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			
March 31, 2013	(In thousands)								
Real estate	\$3	\$6	\$—	\$9	\$1,355	\$1,364			
Commercial	—	8	—	8	3,559	3,567			
Installment	2	—	5	7	2,740	2,747			
Total loans	\$5	\$14	\$5	\$24	\$7,654	\$7,678			
Percentage of outstanding	0.07	% 0.18	% 0.07	% 0.31	% 99.69	% 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.

	March 31, 2013 (In thousands)	December 31, 2012
Real estate	\$29	\$8
Commercial	93	244
Installment	187	135
Total loans	\$309	\$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:

	March 31, 2013 (In thousands)		December 31, 2012	
	Non-Classified	Classified	Non-Classified	Classified
Real estate	\$1,056	\$308	\$3,360	\$196
Commercial	3,543	24	930	249
Installment	2,571	176	3,000	292

Total loans	\$7,170	\$508	\$7,290	\$737
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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 March 31, 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:

	March 31, 2013		December 31, 2012	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Real estate	\$32	\$29	\$194	\$96
Commercial	360	107	280	136
Installment	439	205	403	173

Allowance for Loan Losses

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

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Balance, beginning of period	\$475	\$—
Provision for loans	—	—
Loans charged off	(25	) —
Balance, end of period	\$450	\$—

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:

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share data)	
Stock options granted	217	506
Weighted-average exercise price	\$13.18	\$29.62
Weighted-average grant-date fair value	\$5.68	\$13.86
Restricted stock units granted	—	40
Weighted-average grant-date fair value	\$—	\$30.74

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

	Three Months Ended March 31,		
	2013	2012	
Risk-free interest rate	1.04	% 1.05	%
Expected term (life) of options (in years)	6.08	6.08	
Expected dividends	—	—	
Expected volatility	43.98	% 48.5	%



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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

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

The total stock-based compensation expense recognized was \$2.9 million and \$3.5 million for the three-month periods ended March 31, 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 three-month periods ended March 31, 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:

	Three Months Ended March 31,			
	2013	2012		
U.S. federal statutory tax rate	35.0	% 35.0		%
State income taxes, net of federal benefit	1.9	1.6		
General business credits	(3.4	) —		
Employee stock-based compensation	1.8	1.6		
Other	0.1	0.2		
Effective tax rate	35.4	% 38.4		%

The effective tax rates for the periods above 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 three months ended March 31, 2013 was favorably impacted by the reinstatement of 2012 general business credits. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which retroactively extended general business credits from January 1, 2012 through December 31, 2013. As a result, we recognized the retroactive benefit of the 2012 general business credit of approximately \$0.5 million as a discrete item in the first quarter of 2013, the period in which the legislation was enacted. Excluding the impact of this discrete item, our effective tax rate in the three months ended March 31, 2013 would have been 37.5%.

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 year ended December 31, 2010 are currently under examination by the IRS. We remain subject to examination of our federal income tax returns for the years ended December 31, 2012 and 2011. 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.

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:

	Three Months Ended March 31,	
	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	316	—
Ending balance	\$ 2,297	\$ —

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate \$ 2,297 \$ —



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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 8—Earnings per Common Share

The calculation of basic earnings per common share, or EPS, and diluted EPS was as follows:

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share data)	
Basic earnings per Class A common share		
Net income	\$15,586	\$16,368
Income attributable to preferred stock	(2,493	) (2,650
Income attributable to other classes of common stock	(1,846	) (2,573
Net income allocated to Class A common stockholders	11,247	11,145
Weighted-average Class A shares issued and outstanding	30,951	28,839
Basic earnings per Class A common share	\$0.36	\$0.39
Diluted earnings per Class A common share		
Net income allocated to Class A common stockholders	\$11,247	\$11,145
Re-allocated earnings	1,567	2,152
Diluted net income allocated to Class A common stockholders	12,814	13,297
Weighted-average Class A shares issued and outstanding	30,951	28,839
Dilutive potential common shares:		
Class B common stock	5,190	7,012
Stock options	—	—
Restricted stock units	119	7
Employee stock purchase plan	33	9
Diluted weighted-average Class A shares issued and outstanding	36,293	35,867
Diluted earnings per Class A common share	\$0.35	\$0.37
Basic earnings per Class B common share		
Net income	\$15,586	\$16,368
Income attributable to preferred stock	(2,493	) (2,650
Income attributable to other classes of common stock	(11,606	) (11,696
Net income allocated to Class B common stockholders	1,487	2,022
Weighted-average Class B shares issued and outstanding	4,096	5,230
Basic earnings per Class B common share	\$0.36	\$0.39
Diluted earnings per Class B common share		
Net income allocated to Class B common stockholders	\$1,487	\$2,022
Re-allocated earnings	344	578
Diluted net income allocated to Class B common stockholders	1,831	2,600
Weighted-average Class B shares issued and outstanding	4,096	5,230
Dilutive potential common shares:		
Stock options	1,094	1,782
Diluted weighted-average Class B shares issued and outstanding	5,190	7,012
Diluted earnings per Class B common share	\$0.35	\$0.37

As of March 31, 2013, 920,202 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 month periods ended March 31, 2013 and March 31, 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 B common stock, as the related performance conditions had not been satisfied.

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

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

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 March 31,	
	2013	2012
Class A common stock	(In thousands)	
Options to purchase Class A common stock	1,952	596
Restricted stock units	41	4
Conversion of convertible preferred stock	6,859	6,859
Total options, restricted stock units and convertible preferred stock	8,852	7,459
Class B common stock		
Options to purchase Class B common stock	323	19
Total options	323	19

## 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.

As of March 31, 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
March 31, 2013	(In thousands)			
Corporate bonds	\$—	\$33,683	\$—	\$33,683
Commercial paper	—	45,144	—	45,144
Negotiable certificate of deposit	—	4,411	—	4,411
U.S. treasury notes	—	17,494	—	17,494
Agency securities	—	25,545	—	25,545
Municipal bonds	—	12,747	—	12,747
Asset-backed securities	—	24,161	—	24,161
Total	\$—	\$163,185	\$—	\$163,185
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





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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 9—Fair Value Measurements (continued)

We based the fair value of our fixed income securities held as of March 31, 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 three-month periods ended March 31, 2013 and 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 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.

## 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 March 31, 2013 and December 31, 2012 are presented in the table below.

	March 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans to bank customers	\$7,228	\$6,592	\$7,552	\$5,719
Financial Liabilities				
Deposits	\$222,022	\$221,950	\$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.



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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 11—Commitments and Contingencies (continued)

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.

## 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 March 31,		
	2013	2012	
Walmart	67	% 64	%
Three other largest retail distributors, as a group	21	% 20	%

Excluding stock-based retailer incentive compensation of \$1.6 million and \$3.2 million for the three-month periods ended March 31, 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 March 31,		
	2013	2012	
Walmart	67	% 65	%
Three other largest retail distributors, as a group	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 March 31,		
	2013	2012	
Concentration of GPR cards activated (in units)	85	% 89	%
Concentration of sales of cash transfer products (in units)	88	% 90	%



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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 12—Significant Customer Concentration (continued)

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:

	March 31, 2013	December 31, 2012	
Walmart	26	%	34 %
Three other largest retail distributors, as a group	28	%	36 %

At March 31, 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.

## Note 13—Subsequent Event

In April 2013, we initiated an offer to exchange certain outstanding stock options for new options. This exchange offer provided our employees the opportunity to voluntarily exchange stock options with an exercise price at or greater than \$20.00 for new, at-the-money options under our 2010 Equity Incentive Plan based on pre-established exchange ratios. Our executive officers and directors were not eligible to participate. The exchange offer expired on May 7, 2013. We accepted for exchange, options to purchase an aggregate of 463,305 shares of our Class A common stock or Class B common stock representing 44% of the shares subject to eligible options in the exchange offer. Subject to the terms and conditions set forth in the exchange offer, we issued new options to purchase an aggregate of 251,427 shares of our common stock at an exercise price of \$18.56 in exchange for the options surrendered in the exchange offer. The new options will vest over four years and have a seven-year term.

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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 is a leading financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. We believe that we are the leading provider of general purpose reloadable, or GPR, prepaid debit cards in the United States and that our Green Dot Network is a leading reload network for prepaid cards in the United States. We distribute our products and services nationwide at more than 60,000 retail store locations and on the Internet, which provide consumers convenient access to our products and services. We are also the provider of GoBank, an innovative checking account developed for distribution and use via mobile phones, which is expected to be available to U.S. consumers generally during the second or third quarter of 2013.

Financial Results and Trends

Total operating revenues for the three months ended March 31, 2013 were \$154.1 million compared to \$141.2 million for the three months ended March 31, 2012. Total operating revenues were favorably impacted by increases in card revenues and other fees, cash transfer revenues and interchange revenues and a decrease in the amount of stock-based retailer incentive compensation. Total operating revenues increased primarily due to period-over-period growth in the number of cash transfers and purchase volume, which are described below. Total operating revenues were adversely impacted by a period-over-period decline in the number of active cards in our portfolio.

Net income for the three months ended March 31, 2013 was \$15.6 million, compared to \$16.4 million for the three months ended March 31, 2012. Net income declined primarily due to increases in employee headcount, including retention-based incentives for former employees of Loopt, Inc., or Loopt, which we acquired in March 2012. Net income also declined due to increases in depreciation and amortization of property and equipment as we continue to invest in infrastructure and product development. In particular, our product development investments included our investments in GoBank, which is expected to be available to U.S. consumers generally during the second or third quarter of 2013. Net income was positively impacted by a lower effective tax rate driven by the reinstatement of 2012 general business credits in January 2013 as a result of which we recognized a \$0.5 million retroactive benefit attributable to 2012 in the first quarter of 2013, the period in which the legislation was enacted.

Since the second half of 2012 we have been facing increased competition at most of our largest retail distributors. Although we cannot accurately measure the precise effect of increased competition on results of operations, we believe that it negatively impacted our total operating revenues for the first quarter of 2013. In addition, the number of active cards in our portfolio and the number of cash transfers were negatively impacted during the first quarter of 2013 by voluntary risk controls we began implementing in 2012. For example, we declined approximately 20% of all new card activation attempts during the first quarter of 2013, which was more than double the number of declines during the comparable period in 2012. We believe the increased competition and voluntary risk controls will continue to have

an adverse effect on our business, results of operations, and financial condition for the remainder of 2013 and the foreseeable future.

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### 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 11.25 million and 10.09 million MoneyPak and POS swipe reload transactions in the three-month periods ended March 31, 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 4.49 million and 4.69 million active cards outstanding as of March 31, 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 \$5.1 billion and \$4.8 billion for the three-month periods ended March 31, 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 \$3.6 billion and \$3.5 billion for the three-month periods ended March 31, 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 provide 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 mix of products that we sell since there are variations in new card fees among Green Dot-branded and co-branded products and between GPR cards and 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

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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.

### 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 three months ended March 31, 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.

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## Comparison of Three-Month Periods Ended March 31, 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 March 31, 2013		2012		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(In thousands, except percentages)					
Operating revenues:					
Card revenues and other fees	\$64,667	42.0	% \$61,222	43.4	%
Cash transfer revenues	44,335	28.8	39,643	28.1	
Interchange revenues	46,756	30.3	43,506	30.8	
Stock-based retailer incentive compensation	(1,609)	) (1.0	) (3,190	) (2.3	)
Total operating revenues	\$154,149	100.0	% \$141,181	100.0	%

**Card Revenues and Other Fees** — Card revenues and other fees totaled \$64.7 million for the three months ended March 31, 2013, an increase of \$3.5 million, or 6%, from the comparable period in 2012. The increase was primarily the result of a \$7.9 million increase in other revenues, driven by period-over-period growth in our gift card program and a decrease in customer incentives that we record as a contra-revenue component of card revenues and other fees. This increase was partially offset by decreases in new card fee revenues and ATM fee revenues, which were primarily driven by a period-over-period decline of 4% in the number of active cards in our portfolio. The number of active cards in our portfolio was adversely impacted by increased competition and our implementation of voluntary risk controls, as discussed above under "Financial Results and Trends," which we expect will continue to impact our card revenues and other fees for the remainder of 2013. Additionally, we began offering our Walmart MoneyCard customers access to surcharge-free transactions via the nationwide MoneyPass ATM network in late June 2012, which also contributed to the decrease in ATM fee revenues.

**Cash Transfer Revenues** — Cash transfer revenues totaled \$44.3 million for the three months ended March 31, 2013, an increase of \$4.7 million, or 12%, 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, which increased the proportion of total cash transfer revenues represented by third party programs by approximately five percentage points. We believe our cash transfer revenues for the first quarter of 2013 were adversely impacted by increased competition and our implementation of voluntary risk controls, as discussed above under "Financial Results and Trends." We expect these challenges to continue to impact our cash transfer revenues for the remainder of 2013.

**Interchange Revenues** — Interchange revenues totaled \$46.8 million for the three months ended March 31, 2013, an increase of \$3.3 million, or 8%, from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 3% in purchase volume. We believe our interchange revenues for the first quarter of 2013 were adversely impacted by increased competition and our implementation of voluntary risk controls, as discussed above under "Financial Results and Trends." Although we expect these challenges to continue to impact our interchange revenues for the remainder of 2013, we expect to experience a seasonal pattern in our interchange revenues during 2013 similar to that which we experienced in 2012, as we believe purchase volume will be higher during the first quarter of 2013, as compared to the remaining quarters of 2013, due to taxpayers electing to receive their tax refunds via direct deposit on our cards.

**Stock-based Retailer Incentive Compensation** — Our right to repurchase lapsed as to 110,430 shares issued to Walmart during the three months ended March 31, 2013. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock, resulting in \$1.6 million of stock-based retailer incentive compensation, a decrease of \$1.6 million, or 50%, from the comparable period in 2012. The decrease was the result of a lower stock price in the three months ended March 31, 2013 compared with the corresponding period in 2012.



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## Operating Expenses

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

	Three Months Ended March 31, 2013		2012		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(In thousands, except percentages)					
Operating expenses:					
Sales and marketing expenses	\$56,177	36.4	% \$52,572	37.2	%
Compensation and benefits expenses	31,754	20.6	26,153	18.5	
Processing expenses	21,999	14.3	20,850	14.8	
Other general and administrative expenses	20,880	13.5	15,968	11.3	
Total operating expenses	\$130,810	84.9	% \$115,543	81.8	%

**Sales and Marketing Expenses** — Sales and marketing expenses totaled \$56.2 million for the three months ended March 31, 2013, an increase of \$3.6 million, or 7% from the comparable period in 2012. This increase was primarily the result of an increase in the cost of manufacturing and distributing card packages, driven by the transition of our card issuing program with Synovus Bank to our subsidiary bank and the launch of new products, partially offset by decreases in advertising and marketing expenses, as we reduced our television and online advertising. We expect to incur additional sales and marketing expenses as the sales commissions we pay to Walmart for the MoneyCard program are scheduled to increase in May 2013 by approximately four percentage points. We may also incur additional sales and marketing expenses during the remainder of 2013 to support new business initiatives.

**Compensation and Benefits Expenses** — Compensation and benefits expenses totaled \$31.8 million for the three months ended March 31, 2013, an increase of \$5.6 million or 21%, from the comparable period in 2012. This increase was primarily the result of a \$4.3 million increase in employee compensation and benefits, including the recognition of retention-based-incentives associated with our acquisition of Loopt. This growth was also due to additional employee headcount associated with the Loopt acquisition and our continued expansion of our operations to support the launch of new products and business initiatives. We will continue to incur additional compensation and benefits expense associated with our acquisition of Loopt, including remaining retention-based incentives of up to \$3.4 million, which we will recognize on a straight-line basis from April through September 2013.

**Processing Expenses** — Processing expenses totaled \$22.0 million for the three months ended March 31, 2013, an increase of \$1.1 million, or 5% from the comparable period in 2012. The increase was primarily the result of period-over-period growth of 3% 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. While processing expenses were favorably impacted by this transition, there can be no assurance that our processing expenses will decline on a year-over-year basis in absolute dollars or as percentage of total operating revenues for the remainder of 2013 or in future years because these expenses are subject to a variety of factors, many of which are outside our control.

**Other General and Administrative Expenses** — Other general and administrative expenses totaled \$20.9 million for the three months ended March 31, 2013, an increase of \$4.9 million, or 31%, from the comparable period in 2012. This increase was primarily the result of a \$2.7 million increase in depreciation and amortization of property and equipment and a \$0.9 million write-off related to internally developed software that we will no longer utilize.

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## Income Tax Expense

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

	Three Months Ended March 31,		
	2013	2012	
U.S. federal statutory tax rate	35.0	% 35.0	%
State income taxes, net of federal benefit	1.9	1.6	
General business credits	(3.4	) —	
Employee stock-based compensation	1.8	1.6	
Other	0.1	0.2	
Effective tax rate	35.4	% 38.4	%

Our income tax expense decreased by \$1.7 million to \$8.6 million in the three months ended March 31, 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 of 3.0% from 38.4% to 35.4%. This decrease was primarily driven by the reinstatement of 2012 general business credits. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which retroactively extended the general business credits from January 1, 2012 through December 31, 2013. As a result, we recognized the retroactive benefit of the 2012 general business credit of approximately \$0.5 million as a discrete item in the first quarter of 2013, the period in which the legislation was enacted. Excluding the impact of this discrete item, our effective tax rate in the three months ended March 31, 2013 would have been 37.5%

## Liquidity and Capital Resources

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

	Three Months Ended	
	2013	2012
	(In thousands)	
Total cash provided by (used in)		
Operating activities	\$24,502	\$37,263
Investing activities	11,850	(145,447
Financing activities	40,217	2,371
Increase in unrestricted cash and cash equivalents	\$76,569	\$(105,813

In the three-month periods ended March 31, 2013 and 2012, we financed our operations primarily through our cash flows from operations. At March 31, 2013, our primary source of liquidity was unrestricted cash and cash equivalents totaling \$370.2 million. We also consider our \$163.2 million of investment securities available-for-sale to be highly-liquid instruments.

We use trend and variance analyses 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 and Class B 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 \$24.5 million of net cash provided by operating activities in the three months ended March 31, 2013 principally resulted from \$15.6 million of net income, adjusted for certain non-cash operating expenses of \$12.1 million. Our \$37.3 million of net cash provided by operating activities in the three months ended March 31, 2012 principally resulted from \$16.4 million of net income, adjusted for certain non-cash operating expenses of \$10.2 million.





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Cash Flows from Investing Activities

Our \$11.9 million of net cash used in investing activities in the three months ended March 31, 2013 reflects purchases of available-for-sale investment securities, net of sales and maturities, of \$20.4 million and payments for acquisition of property and equipment of \$8.9 million. Our \$145.4 million of net cash used in investing activities in the three months ended March 31, 2012 reflects purchases of available-for-sale investment securities, net of sales and maturities, of \$106.3 million, payments for acquisition of property and equipment of \$7.8 million and net payments to acquire Loopt for \$32.1 million.

Cash Flows from Financing Activities

Our \$40.2 million of net cash provided by financing activities in the three months ended March 31, 2013 was primarily the result of increases in customer deposits and obligations to customers of \$23.6 million and \$16.0 million, respectively. Our \$2.4 million of net cash provided by financing activities for the three months ended March 31, 2012 was the result of the exercise of stock options and the issuance of shares under our employee stock purchase plan of \$0.6 million and excess tax benefits of \$1.3 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 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.

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 three-month periods ended March 31, 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.

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## Capital Requirements for Bank Holding Companies

As of March 31, 2013 and 2012, we were categorized as well capitalized under the regulatory framework. There were no conditions or events since March 31, 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)				
March 31, 2013					
Tier 1 leverage	\$311,508	43.3	% \$35,968	5.0	%
Tier 1 capital	311,508	84.5	% 22,114	6.0	%
Total risk-based capital	\$311,508	84.5	% \$36,857	10.0	%
March 31, 2012					
Tier 1 leverage	\$223,503	56.6	% \$19,736	5.0	%
Tier 1 risk-based capital	223,503	74.8	% 17,918	6.0	%
Total risk-based capital	\$223,503	74.8	% \$29,863	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.

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ITEM 4. Controls and Procedures

Disclosure controls and procedures — Our management, with the participation of our Chief Executive Officer and 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 Chief Executive Officer and Chief 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 our management, including our Chief Executive Officer and Chief 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 March 31, 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 Chief Executive Officer and Chief 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.

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PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

On July 27, 2012, an alleged class action was filed in the United States District Court for the Central District of California, against us and two of our officers. A similar suit was filed on August 10, 2012. Those cases have now been consolidated under the caption In Re Green Dot Corporation Securities Litigation, Case No. CV 12-6492-GW (CWx), and a consolidated complaint has been filed. The suit asserts purported claims under: (i) Sections 10(b) and 20(a) of the Exchange Act for allegedly misleading statements in January 2012 and April 2012 regarding our business and financial results, on behalf of a class of purchasers of our securities between January 26, 2012 and July 26, 2012 (a period in which plaintiffs claim our stock price was artificially inflated); and (ii) Sections 11 and 15 of the Securities Act of 1933 for alleged misstatements in our IPO Registration Statement and Prospectus, on behalf of persons who acquired shares in or traceable to the IPO in July 2010. The suit seeks compensatory damages, fees and costs. The defendants filed a motion to dismiss the consolidated complaint on February 11, 2013. On May 2, 2013, the Court conducted a hearing on the matter, granted the defendants' motion, and dismissed all the claims without prejudice. Plaintiffs were granted leave to file an amended complaint by June 17, 2013.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows.

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 I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 1, 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;
- 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;



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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 an in-house 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.

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 67% and 21%, respectively, in the three months ended March 31, 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 three months ended March 31, 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

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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 grow at a slower rate than in prior periods, as it did in 2012, or may decline, as we currently estimate it will in 2013. 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 voluntary 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 even further in 2013 as existing competitors and new market entrants are bringing to market products and services that are, or that may be perceived to be, substantially similar to or better than ours. For example, Walmart began selling an American Express-branded checking account alternative product at its store locations in October 2012. This 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, NetSpend Holdings, Inc., AccountNow, Inc., PreCash Inc. and other traditional banks, such as J.P. Morgan Chase & Co., that have recently 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.

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

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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.

We became a bank holding company in December 2011. 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 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 are presently in the process of implementing 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, it is difficult to determine with any certainty what obligations the final rules might impose or what impact they might have on our business.

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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 three months ended March 31, 2013, interchange revenues represented 30.3% 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, the banks that issue our cards or existing or future legislation, regulation 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.

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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.

All of our cards under the Walmart MoneyCard program are issued by GE Capital Retail Bank, formerly GE Money Bank. Our relationship with GE Capital Retail Bank will be for the foreseeable future, 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, following its expiration in 2015, renew our agreements with GE Capital Retail Bank 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 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

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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 currently subject to various litigation as described "Part II, Item 1. Legal Proceedings" of this report. In addition, 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.



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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.

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, would 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 account overdrafts.

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

Maintenance fee assessments accounted for approximately 95% of aggregate overdrawn account balances in the three months ended March 31, 2013, as compared to approximately 94% in the three months ended March 31, 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.

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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.



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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 March 31, 2013, we had assets subject to settlement risk of \$48.5 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. The United States is currently facing challenging economic conditions and if these conditions 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.





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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, as we do not maintain redundant systems for critical business functions, such as finance and accounting. In addition, we might not have adequate insurance to cover our losses resulting from catastrophic events or other significant business interruptions. Any significant losses that are not recoverable under our insurance policies, as well as the damage to, or interruption of, our infrastructure and processes, could seriously impair our business and financial condition.

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

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our ability to operate our business and could result in regulatory action, and could require us to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

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; 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. For example, following a recent period of volatility in the trading price of our Class A common stock, an alleged class action was filed on July 27, 2012 against us and two of our officers. 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.

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

Our Class B common stock has ten votes per share, our Class A common stock has one vote per share and our Series A convertible junior participating non-cumulative perpetual preferred stock has no voting power. Based upon beneficial ownership as of March 31, 2013, our current directors, executive officers, holders of more than 5% of our

total shares of common stock outstanding and their respective affiliates will, in the aggregate, beneficially own

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approximately 49% of our outstanding voting stock, representing approximately 51% of the voting power of our outstanding capital stock. As a result, these stockholders are able to exercise a controlling influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our Class A common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

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 our Class B common stock with disproportionate voting rights;
- provide for non-cumulative voting in the election of directors;
- provide for a classified board of directors;
- authorize our board of directors, without stockholder approval, to issue preferred stock with terms determined by our board of directors and to issue additional shares of our Class A and Class B common stock;
- limit the voting power of a holder, or group of affiliated holders, of more than 24.9% of our common stock to 14.9%;
- provide that only our board of directors may set the number of directors constituting our board of directors or fill vacant directorships;
- prohibit stockholder action by written consent and limit who may call a special meeting of stockholders; and
- require advance notification of stockholder nominations for election to our board of directors and of stockholder proposals.

These and other provisions in our 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.

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## ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
10.1	Second Material Terms Amendment to Agreement for Services, dated as of February 20, 2013, by and between the Registrant and Total System Services, Inc.(1)†
10.2	Offer letter to Samuel Altman from the Registrant, dated March 5, 2012.
10.3	Retention Agreement, dated as of March 8, 2012, by and between the Registrant and Samuel Altman.
10.4	2013 Executive Officer Bonus Plan.
31.1	Certification of Steven W. Streit, Chief Executive Officer and Chairman of the Board of Directors, 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 John L. Keatley, Chief 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 Steven W. Streit, Chief Executive Officer and Chairman of the Board of Directors, 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 John L. Keatley, Chief 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.

Confidential treatment has been requested with regard to certain portions of this document. Such portions were filed separately with the Commission.

(1) Exhibit 10.1 is incorporated by reference to Exhibit 10.12 filed with the Registrant's annual report on Form 10-K for the year ended December 31, 2012, filed with the Commission on March 1, 2013.





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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: May 9, 2013

By: /s/ John L. Keatley

Name: John L. Keatley

Title: Chief Financial Officer

(Authorized Officer and Principal Financial Officer)

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