

GREEN DOT CORP  
Form 10-Q  
November 10, 2011  
Table of Contents

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

---

FORM 10-Q

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

For the quarterly period ended September 30, 2011  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-34819

---

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

---

Delaware 95-4766827  
(State or other jurisdiction (IRS Employer  
of incorporation or organization) Identification No.)

605 E. Huntington Drive, Suite 205 91016  
Monrovia, California (Zip Code)  
(Address of principal executive offices)

Registrant's telephone number, including area code: (626) 775-3400

---

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Edgar Filing: GREEN DOT CORP - Form 10-Q

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

There were 25,168,900 shares of Class A common stock, par value \$.001 per share, and 17,026,224 shares of Class B common stock, par value \$.001 per share, outstanding as of October 31, 2011.

---

GREEN DOT CORPORATION  
TABLE OF CONTENTS

	Page
PART I. <u>Financial Information</u>	<u>1</u>
Item 1. <u>Financial Statements</u>	<u>1</u>
<u>Consolidated Balance Sheets— September 30, 2011 (Unaudited) and December 31, 2010</u>	<u>1</u>
<u>Consolidated Statements of Operations—Three and Nine-Month Periods Ended September</u>	<u>2</u>
<u>30, 2011 (Unaudited) and 2010 (Unaudited)</u>	
<u>Consolidated Statements of Cash Flows—Nine-Month Periods Ended September 30, 2011</u>	<u>3</u>
<u>(Unaudited) and 2010 (Unaudited)</u>	
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>4</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>16</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
Item 4. <u>Controls and Procedures</u>	<u>26</u>
 PART II. <u>Other Information</u>	 <u>28</u>
Item 1. <u>Legal Proceedings</u>	<u>28</u>
Item 1A. <u>Risk Factors</u>	<u>28</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
Item 6. <u>Exhibits</u>	<u>40</u>
<u>Signature</u>	<u>43</u>

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## GREEN DOT CORPORATION

## CONSOLIDATED BALANCE SHEET

	September 30, 2011 (Unaudited)	December 31, 2010
	(In thousands, except par value)	
Assets		
Current assets:		
Unrestricted cash and cash equivalents	\$198,294	\$167,503
Investment securities available-for-sale, at fair value	22,190	—
Settlement assets	23,280	19,968
Accounts receivable, net	30,399	33,412
Prepaid expenses and other assets	10,887	8,608
Income tax receivable	6,811	15,004
Net deferred tax assets	4,927	5,398
Total current assets	296,788	249,893
Restricted cash	10,294	5,135
Investment securities available-for-sale, at fair value	7,701	—
Accounts receivable, net	3,696	2,549
Prepaid expenses and other assets	649	643
Property and equipment, net	24,838	18,034
Deferred expenses	7,831	9,504
Total assets	\$351,797	\$285,758
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$19,479	\$17,625
Settlement obligations	23,280	19,968
Amounts due to card issuing banks for overdrawn accounts	40,848	35,068
Other accrued liabilities	14,232	21,633
Deferred revenue	13,077	17,214
Total current liabilities	110,916	111,508
Other accrued liabilities	5,323	3,737
Deferred revenue	25	44
Net deferred tax liabilities	5,010	5,338
Total liabilities	121,274	120,627
Stockholders' equity:		
Class A common stock, \$0.001 par value; 100,000 shares authorized as of September 30, 2011 and December 31, 2010; 25,165 and 14,762 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively		13
Class B convertible common stock, \$0.001 par value, 100,000 shares authorized as of September 30, 2011 and December 31, 2010; 17,026 and 27,091 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively	17	27
Additional paid-in capital	122,760	95,433
Retained earnings	107,732	69,658
Accumulated other comprehensive loss	(9	) —
Total stockholders' equity	230,523	165,131

Total liabilities and stockholders' equity	\$351,797	\$285,758
See notes to unaudited consolidated financial statements		

1

---

Table of Contents

GREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands, except per share data)			
Operating revenues:				
Card revenues	\$49,966	\$40,592	\$158,214	\$124,978
Cash transfer revenues	34,724	26,484	98,260	73,630
Interchange revenues	34,246	27,044	105,035	81,106
Stock-based retailer incentive compensation	(3,549)	(5,216)	(13,785)	(7,673)
Total operating revenues	115,387	88,904	347,724	272,041
Operating expenses:				
Sales and marketing expenses	40,851	30,305	126,164	87,777
Compensation and benefits expenses	21,763	17,621	64,566	50,474
Processing expenses	17,576	14,579	54,639	43,131
Other general and administrative expenses	13,889	10,976	41,192	33,997
Total operating expenses	94,079	73,481	286,561	215,379
Operating income	21,308	15,423	61,163	56,662
Interest income	239	111	574	269
Interest expense	(105)	(23)	(202)	(48)
Income before income taxes	21,442	15,511	61,535	56,883
Income tax expense	8,139	6,540	23,461	22,589
Net income	13,303	8,971	38,074	34,294
Dividends, accretion, and allocated earnings of preferred stock	—	(1,255)	—	(16,094)
Net income allocated to common stockholders	\$13,303	\$7,716	\$38,074	\$18,200
Basic earnings per common share:				
Class A common stock	\$0.32	\$0.22	\$0.91	\$0.87
Class B common stock	\$0.32	\$0.22	\$0.91	\$0.87
Basic weighted-average common shares issued and outstanding:				
Class A common stock	23,401	4,266	21,322	1,442
Class B common stock	17,124	28,627	18,985	18,232
Diluted earnings per common share:				
Class A common stock	\$0.30	\$0.20	\$0.86	\$0.81
Class B common stock	\$0.30	\$0.20	\$0.86	\$0.81
Diluted weighted-average common shares issued and outstanding:				
Class A common stock	42,426	36,132	42,486	22,884
Class B common stock	19,023	31,862	21,155	21,441
See notes to unaudited consolidated financial statements				

Table of Contents

GREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Nine Months Ended September 30,	
	2011	2010
	(In thousands)	
Operating activities		
Net income	\$38,074	\$34,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,772	5,405
Provision for uncollectible overdrawn accounts	46,210	34,912
Employee stock-based compensation	7,042	5,246
Stock-based retailer incentive compensation	13,785	7,673
Amortization of discount on available-for-sale investment securities	157	—
Provision (benefit) for uncollectible trade receivables	150	(24 )
Impairment of capitalized software	348	388
Deferred income taxes	107	31
Excess tax benefits from exercise of options	(2,159 )	—
Changes in operating assets and liabilities:		
Settlement assets	(3,312 )	30,785
Accounts receivable, net	(44,494 )	(31,761 )
Prepaid expenses and other assets	(2,360 )	817
Deferred expenses	1,673	2,306
Accounts payable and accrued liabilities	(2,813 )	3,877
Settlement obligations	3,312	(30,785 )
Amounts due issuing bank for overdrawn accounts	5,780	9,759
Deferred revenue	(4,156 )	(3,868 )
Income tax receivable	10,393	8,438
Net cash provided by operating activities	76,509	77,493
Investing activities		
Purchases of available-for-sale investment securities	(40,062 )	—
Proceeds from maturities of available-for-sale investment securities	10,000	—
(Increase) decrease in restricted cash	(5,159 )	10,218
Payments for acquisition of property and equipment	(16,997 )	(10,321 )
Net cash used in investing activities	(52,218 )	(103 )
Financing activities		
Proceeds from exercise of options and warrants and issuance of ESPP shares	4,341	1,888
Excess tax benefits from exercise of options	2,159	—
Net cash provided by financing activities	6,500	1,888
Net increase in unrestricted cash and cash equivalents	30,791	79,278
Unrestricted cash and cash equivalents, beginning of year	167,503	56,303
Unrestricted cash and cash equivalents, end of period	\$198,294	\$135,581
Cash paid for interest	\$6	\$40
Cash paid for income taxes	\$12,974	\$14,215
See notes to unaudited consolidated financial statements		





Table of Contents

GREEN DOT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1— Organization

Green Dot Corporation (“we,” “us” and “our” refer to Green Dot Corporation and its wholly-owned subsidiaries, Next Estate Communications, Inc. and Green Dot Acquisition Corp.) is one of the leading providers of general purpose reloadable, or GPR, prepaid debit cards and cash loading and transfer services in the United States. Our products include Green Dot MasterCard and Visa-branded prepaid debit cards and several co-branded reloadable prepaid card programs, collectively referred to as our GPR cards; Visa-branded gift cards; and 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. 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 cards and financial 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 third-party issuing banks, and we have relationships with several card issuers, including GE Money Bank and CB&T, a division of Synovus Bank. We also have distribution arrangements with many large and medium-sized retailers, such as Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, Meijer and Radio Shack, and with various industry resellers, such as Blackhawk Network, Inc., Incomm and PaySpot. We refer to participating retailers collectively as our “retail distributors.”

Note 2— Summary of Significant Accounting Policies

Basis of Presentation

We have prepared the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles, or GAAP. We have eliminated all significant intercompany balances and transactions in consolidation.

We consider an operating segment to be any component of our business whose operating results are regularly reviewed by our chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance based on discrete financial information. Our Chief Executive Officer, our chief operating decision-maker, reviews our operating results on an aggregate basis and manages our operations and the allocation of resources as a single operating segment — prepaid cards and related services.

We have evaluated subsequent events through the date that the financial statements were issued, based on the accounting guidance for subsequent events. Based on our evaluation, we did not identify any recognized or non-recognized subsequent events that would have required adjustment to or disclosure in the consolidated financial statements.

Unaudited Interim Financial Statements

The accompanying unaudited September 30, 2011 consolidated balance sheet, consolidated statements of operations for the three and nine-month periods ended September 30, 2011 and 2010, consolidated statements of cash flows for the nine-month periods ended September 30, 2011 and 2010, and the related interim information contained within the notes to the consolidated financial statements have been prepared in accordance with GAAP and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and the notes required by GAAP for complete financial statements. In our opinion, the unaudited interim consolidated financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for the fair presentation of our financial position at September 30, 2011, the results of our operations for the three and nine-month periods ended September 30, 2011 and 2010, and our cash flows for the nine-month periods ended September 30, 2011 and 2010. Our results of operations for the three and nine-month periods ended September 30, 2011 and 2010 are not necessarily indicative of future results.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements, including the accompanying notes. We base our

estimates and assumptions on historical factors, current circumstances, and the experience and judgment of management. We evaluate our estimates and assumptions on an ongoing basis. Actual results could differ from those estimates.

4

---

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 2— Summary of Significant Accounting Policies (continued)

Accounts Receivable, Net

Accounts receivable is comprised principally of receivables due from card issuing banks, overdrawn account balances due from cardholders, trade accounts receivable and other receivables. We record accounts receivable net of reserves for estimated uncollectible accounts. Receivables due from card issuing banks primarily represent revenue-related funds collected by the card issuing banks from our retail distributors, merchant banks and cardholders that have yet to be remitted to us. These receivables are generally collected within a short period of time based on the remittance terms in our agreements with the card issuing banks.

Overdrawn Account Balances Due from Cardholders and Reserve for Uncollectible Overdrawn Accounts

Cardholder account overdrafts may arise from maintenance fee assessments on our GPR cards or from purchase transactions that we honor on GPR or gift cards, in each case in excess of the funds in a cardholder's account. We are exposed to losses from unrecovered cardholder account overdrafts. We establish a reserve for uncollectible overdrawn accounts. We classify overdrawn accounts into age groups based on the number of days that have elapsed since an account has had activity, such as a purchase, ATM transaction or maintenance fee assessment. We calculate a reserve factor for each age group based on the average recovery rate for the most recent six months. These factors are applied to these age groups to estimate our overall reserve. When more than 90 days have passed without activity in an account, we consider recovery to be remote and write off the full amount of the overdrawn account balance. We include our provision for uncollectible overdrawn accounts related to maintenance fees as an offset to card revenues in the accompanying consolidated statements of operations. We include our provision for uncollectible overdrawn accounts related to purchase transactions in other general and administrative expenses in the accompanying consolidated statements of operations.

Revenue Recognition

Our operating revenues consist of card revenues, cash transfer revenues and interchange revenues. We recognize revenue when the price is fixed or determinable, persuasive evidence of an arrangement exists, the product is sold or the service is performed, and collectibility of the resulting receivable is reasonably assured.

Card revenues consist of new card fees, monthly maintenance fees, ATM fees, and other revenues. We charge new card fees when a consumer purchases a new card in a retail store. We defer and recognize new card fee revenues on a straight-line basis over our average card lifetime, which is currently nine months for our GPR cards and six months for our gift cards. We determine the average card lifetime based on our recent historical data for comparable products. We measure card lifetime for our GPR cards as the period of time, inclusive of reload activity, between sale (or activation) of the card and the date of the last positive balance. We measure the card lifetime for our gift cards as the redemption period during which cardholders perform the substantial majority of their transactions. We reassess average card lifetime quarterly. We report the unearned portion of new card fees as a component of deferred revenue in our consolidated balance sheets. We charge maintenance fees on a monthly basis pursuant to the terms and conditions in the applicable cardholder agreements. We recognize monthly maintenance fees ratably over the month for which they are assessed. We charge ATM fees to cardholders when they withdraw money or conduct other transactions at certain ATMs in accordance with the terms and conditions in the applicable cardholder agreements. We recognize ATM fees when the withdrawal is made by the cardholder, which is the same time our service is completed and the fees are assessed. 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 debit card that replaces the temporary card obtained at the retail store, and upgrading a cardholder account to one of our upgrade programs. We generally recognize revenue related to optional products and services when the underlying services are completed, but we treat revenues related to our upgrade programs in a manner similar to new card fees and monthly maintenance fees. We generate cash transfer revenues when consumers purchase our cash transfer products (reload services) in a retail store. We recognize these revenues when the cash transfer transactions are completed, generally within three business

days from the time of sale of these products.

We earn interchange revenues from fees remitted by the merchant's bank, which are based on rates established by the payment networks, such as Visa and MasterCard, when cardholders make purchase transactions using our cards. We recognize interchange revenues as these transactions occur.

5

---

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 2— Summary of Significant Accounting Policies (continued)

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

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

On occasion, we enter into incentive agreements with our retail distributors and offer incentives to customers designed to increase product acceptance and sales volume. We record incentive payments, including the issuance of equity instruments, as a reduction of revenues and recognize them over the period the related revenues are recognized or as services are rendered, as applicable.

Employee Stock-Based Compensation

We record employee stock-based compensation expense using the fair value method of accounting. For stock options and stock purchases under our employee stock purchase plan, or ESPP, we base compensation expense on fair values estimated at the grant date using the Black-Scholes option-pricing model. For stock awards, including restricted stock units, we base compensation expense on the fair value of our common stock at the grant date. We recognize compensation expense for awards with only service conditions that have graded vesting schedules on a straight-line basis over the vesting period of the award. Vesting is based upon continued service to our company.

For additional information, refer to Note 7— Stock-Based Compensation.

Income Taxes

Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the bases of assets and liabilities as measured by tax laws and their bases as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

For additional information, refer to Note 5 — Income Taxes.

Earnings Per Common Share

We have multiple classes of common stock and our preferred stockholders, during the periods their shares were outstanding, were entitled to participate with common stockholders in the distributions of earnings through dividends. Therefore, we apply the two-class method in calculating earnings per common share, or EPS. The two-class method requires net income, after deduction of any preferred stock dividends, deemed dividends on preferred stock redemptions, and accretions in the carrying value on preferred stock, to be allocated between each class or series of common and preferred stockholders based on their respective rights to receive dividends, whether or not declared.

Basic EPS is then calculated by dividing net income allocated to each class of common stockholders by the respective

weighted-average common shares issued and outstanding.

6

---

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 2— Summary of Significant Accounting Policies (continued)

In addition, for diluted EPS, the conversion of Class B common stock can affect net income allocated to Class A common stockholders. Where the effect of this conversion is dilutive, we adjust net income allocated to Class A common stockholders by the associated allocated earnings of the convertible securities. We divide adjusted net income for each class of common stock by the respective weighted-average number of the common shares issued and outstanding for each period plus amounts representing the dilutive effect of outstanding stock options and restricted stock units and outstanding warrants, shares to be purchased under our employee stock purchase plan and the dilution resulting from the conversion of convertible securities, if applicable. We exclude the effects of convertible securities and outstanding warrants and stock options from the computation of diluted EPS in periods in which the effect would be antidilutive. We calculate dilutive potential common shares using the treasury stock method, if-converted method and the two-class method, as applicable.

For additional information, refer to Note 8— Earnings Per Common Share.

Fair Value of Financial Instruments

Our financial instruments consist principally of unrestricted cash and cash equivalents, investment securities, restricted cash, settlement assets and obligations, accounts receivable, certain other assets, accounts payable, and other accrued liabilities. These financial instruments, with the exception of investment securities, are short-term, and, accordingly, we believe their carrying amounts approximate their respective fair values.

For additional information, refer to Note 3—Investment Securities.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2011-05, Comprehensive Income: Presentation of Comprehensive Income, which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The ASU does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This ASU is effective for interim and annual periods beginning after December 15, 2011. Our adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which converges common fair value measurement and disclosure requirements in accordance with GAAP and International Financial Reporting Standards, or IFRS. This ASU is effective for interim and annual periods beginning after December 15, 2011. Our adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, which requires additional information in the roll-forward of Level 3 assets and liabilities, including the presentation of purchases, sales, issuances and settlements on a gross basis. This ASU impacts disclosures only. We adopted this ASU in the first quarter of 2011.

Note 3— Investment Securities

We classify our investment securities as available-for-sale and report them at fair value with the related unrealized gains and losses, net of tax, included in accumulated other comprehensive income, a component of shareholders' equity. We classify investment securities with original maturities greater than 90 days, but less than or equal to 365 days as current assets.

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 3— Investment Securities (continued)

The following table presents the amortized cost, gross unrealized gains and losses and fair value for investments securities aggregated by major security type:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
September 30, 2011				
Corporate bonds	\$16,410	\$1	\$(17)	) \$16,394
Commercial paper	9,995	2	—	9,997
Certificate of deposit	3,499	1	—	3,500
Total	\$29,904	\$4	\$(17)	) \$29,891

We had no investment securities as of December 31, 2010. The following table summarizes the gross unrealized losses and fair value of fixed income securities by the length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
September 30, 2011						
Fixed income securities						
Corporate bonds	\$13,393	\$(17)	) —	—	\$13,393	\$(17)
Total fixed income securities	\$13,393	\$(17)	) —	—	\$13,393	\$(17)

We did not record any other-than-temporary impairment losses during the three and nine-month periods ended September 30, 2011 because we do not intend to sell these investments and 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.

The scheduled maturities of our fixed income securities are as follows:

	Amortized Cost	Fair Value
	(In thousands)	
September 30, 2011		
Due in one year or less	\$22,201	\$22,190
Due after one year through five years	7,703	7,701
Total	\$29,904	\$29,891

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.





Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 3— Investment Securities (continued)

The following table is a summary of our assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Fair value
	(In thousands)			
September 30, 2011				
Corporate bonds	\$—	\$16,394	\$—	\$16,394
Commercial paper	—	9,997	—	9,997
Certificate of deposit	—	3,500	—	3,500
Total	\$—	\$29,891	\$—	\$29,891

We had no assets measured at fair value on a recurring basis as of December 31, 2010. We based the fair value of our investment securities held as of September 30, 2011 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 and nine-month periods ended September 30, 2011.

Note 4— Accounts Receivable

Accounts receivable, net consisted of the following:

	September 30, 2011	December 31, 2010
	(In thousands)	
Overdrawn account balances due from cardholders	\$24,615	\$17,560
Reserve for uncollectible overdrawn accounts	(17,400)	(11,823)
Net overdrawn account balances due from cardholders	7,215	5,737
Trade receivables	1,625	968
Reserve for uncollectible trade receivables	(149)	(3)
Net trade receivables	1,476	965
Receivables due from card issuing banks	23,705	27,588
Other receivables	1,699	1,671
Accounts receivable, net	\$34,095	\$35,961

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Balance, beginning of period	\$19,003	\$13,651	\$11,823	\$7,460
Provision for uncollectible overdrawn accounts:				
Fees	14,312	11,632	41,621	32,982
Purchase transactions	1,177	641	4,589	1,931
Charge-offs	(17,092)	(12,379)	(40,633)	(28,828)
Balance, end of period	\$17,400	\$13,545	\$17,400	\$13,545



Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 5— Income Taxes

Income tax expense for the nine-month periods ended September 30, 2011 and 2010 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 of 35% and our actual income tax expense was as follows:

	Nine Months Ended September 30,			
	2011		2010	
U.S. federal statutory tax rate	35.0	%	35.0	%
State income taxes, net of federal benefit	1.3		3.6	
Change in state apportionment method	—		(3.9	)
Non-deductible offering costs	—		3.4	
Other	1.8		1.6	
Effective tax rate	38.1	%	39.7	%

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. Certain enacted tax law changes, which became effective January 1, 2011, reduced the income we apportion to California from the comparable period in 2010, resulting in a lower effective state tax rate in 2011. The nine months ended September 30, 2010 were impacted by several discrete items. The California Franchise Tax Board, or FTB, approved our petition to retroactively apply an alternative apportionment method to our income tax returns filed for the five months ended December 31, 2009 and the year ended July 31, 2009. We recognized this benefit in the nine months ended September 30, 2010. This tax benefit was partially offset by non-deductible expenses related to our initial public offering recognized in the nine months ended September 30, 2010. Excluding the impact of these discrete items, our effective tax rate would have been 40.2%. In accounting for income taxes, we follow the guidance related to uncertainty in income taxes. The guidance prescribes a comprehensive framework for the financial statement recognition, measurement, presentation, and disclosure of uncertain income tax positions that we have taken or anticipate taking in a tax return, and includes guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and transition rules. We have concluded that we have no significant unrecognized tax benefits. We are subject to examination by the Internal Revenue Service, or IRS, and various state tax authorities. Our consolidated federal income tax returns for the years ended July 31, 2005 and 2008 have been examined by the IRS, and there have been no material changes in our tax liabilities for those years. We generally remain subject to examination of our federal income tax returns for the year ended July 31, 2007 and later years. 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.

## Note 6—Stockholders' Equity

In March 2010, our board of directors amended our Certificate of Incorporation to adopt a dual class structure for our common stock. The two classes of common stock are Class A common stock and Class B common stock. Upon adoption, all of our common stock outstanding converted to Class B common stock. In July 2010, we filed a restated Certificate of Incorporation that increased the number of authorized Class A and Class B common stock from 75,000,000 shares each to 100,000,000 shares each and reduced the number of authorized shares of preferred stock from 25,553,267 to 5,000,000.

## Shares Subject to Repurchase

In May 2010, we amended our commercial agreement with Walmart, our largest retail distributor, and GE Money Bank. The amendment modifies the terms of our agreement related to our co-branded GPR MoneyCard, which significantly increased the sales commission rates we pay to Walmart for our products sold in their stores. The new agreement commenced on May 1, 2010 with a five-year term. As an incentive to amend our prepaid card program

agreement, we issued Walmart 2,208,552 shares of our Class A common stock. These shares are subject to our right to repurchase them at \$0.01 per share upon termination of our agreement with Walmart other than a termination arising out of our knowing, intentional and material breach of the agreement. Our right to repurchase the shares lapses with respect to 36,810 shares per month over the 60-month term of the agreement. The repurchase right will expire as to

10

---

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 6— Stockholders' Equity (continued)

all shares of Class A common stock that remain subject to the repurchase right if we experience a “prohibited change of control,” as defined in the agreement, if we experience a “change of control,” as defined in the stock issuance agreement, or under certain other limited circumstances, which we currently believe are remote. As of September 30, 2011, 1,582,782 shares of Class A common stock issued to Walmart were subject to our repurchase right.

## Comprehensive Income

The components of comprehensive income, net of tax, are as follows:

	Three Months Ended		Nine Months Ended September	
	September 30,	2010	30,	2010
	2011		2011	
	(In thousands)			
Net income	\$13,303	\$8,971	\$38,074	\$34,294
Other comprehensive income:				
Unrealized loss on investment securities available-for-sale, net	(31	) —	(9	) —
Total comprehensive income	\$13,272	\$8,971	\$38,065	\$34,294

## Note 7— Stock-Based Compensation

## Employee Stock-Based Compensation

Options and restricted stock units granted on or after July 21, 2010 are issued under the 2010 Equity Incentive Plan and options granted prior to July 21, 2010 are issued under the 2001 Stock Plan, the predecessor to our 2010 Equity Incentive Plan. We have reserved shares of our Class A common stock and Class B common stock for issuance under the 2010 Equity Incentive Plan and 2001 Stock Plan, respectively.

The following table summarizes information for the stock options and restricted stock units that we granted:

	Three Months Ended		Nine Months Ended September	
	September 30,	2010	30,	2010
	2011		2011	
Stock options granted	250,950	79,500	751,753	299,000
Weighted-average exercise price	\$33.97	\$36.00	\$39.86	\$30.08
Weighted-average grant-date fair value	\$16.27	\$17.23	\$19.24	\$14.68
Restricted stock units granted	—	—	13,656	—
Grant-date fair value	\$—	\$—	\$32.82	\$—

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

	Three Months Ended September		Nine Months Ended September		
	30,	2010	30,	2010	
	2011		2011		
Risk-free interest rate	1.72	% 1.93	% 2.06	% 2.39	%
Expected term (life) of options (in years)	6.08	6.08	6.06	5.90	
Expected dividends	—	—	—	—	
Expected volatility	48.50	% 48.00	% 48.32	% 49.62	%



Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 7— Stock-Based Compensation (continued)

We recognized employee stock-based compensation expense of \$2.7 million and \$1.7 million for the three-month periods ended September 30, 2011 and 2010, respectively. We recognized employee stock-based compensation expense of \$7.0 million and \$5.2 million for the nine-month periods ended September 30, 2011 and 2010, respectively. Stock-based compensation includes expense related to awards of stock options and restricted stock units and purchases under the 2010 Employee Stock Purchase Plan.

**Stock-Based Retailer Incentive Compensation**

As discussed in Note 6 — Stockholders' Equity, we issued Walmart 2,208,552 shares of our Class A common stock. We recognize the fair value of 36,810 shares each month over the 60-month term of the commercial agreement. An early expiration of our right to repurchase as described above would, however, result in the recognition of the fair value of all the shares still subject to repurchase on the date of the expiration. We currently assess an early expiration of our repurchase right to be remote. We record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. We recognize monthly the fair value of the shares for which our right to repurchase has lapsed using the then-current fair market value of our Class A common stock. We recognized \$3.5 million and \$5.2 million of stock-based retailer incentive compensation for the three-month periods ended September 30, 2011 and 2010, respectively. We recognized \$13.8 million and \$7.7 million of stock-based retailer incentive compensation for the nine-month periods ended September 30, 2011 and 2010, respectively.

**Note 8— Earnings per Common Share**

We calculate EPS using the two-class method. Refer to Note 2 — Summary of Significant Accounting Policies for a discussion of the calculation of EPS. The calculation of basic EPS and diluted EPS was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands, except per share data)			
<b>Basic earnings per Class A common share</b>				
Net income	\$13,303	\$8,971	\$38,074	\$34,294
Allocated earnings to preferred stock	—	(1,255)	—	(16,094)
Allocated earnings to other classes of common stock	(5,922)	(6,773)	(18,776)	(16,942)
Net income allocated to Class A common stockholders	7,381	943	19,298	1,258
Weighted-average Class A shares issued and outstanding	23,401	4,266	21,322	1,442
Basic earnings per Class A common share	\$0.32	\$0.23	\$0.91	\$0.86
<b>Diluted earnings per Class A common share</b>				
Net income allocated to Class A common stockholders	\$7,381	\$943	\$19,298	\$1,258
Allocated earnings to participating securities, net of re-allocated earnings	5,741	6,509	18,204	17,288
Re-allocated earnings	(318)	(71)	(942)	(94)
Diluted net income allocated to Class A common stockholders	12,804	7,381	36,560	18,452
Weighted-average Class A shares issued and outstanding	23,401	4,266	21,322	1,442
<b>Dilutive potential common shares:</b>				
Class B common stock	19,023	31,862	21,155	21,441



Edgar Filing: GREEN DOT CORP - Form 10-Q

Stock options	—	—	—	—
Restricted stock units	2	—	1	—
Employee stock purchase plan	—	4	8	1
Diluted weighted-average Class A shares issued and outstanding	42,426	36,132	42,486	22,884
Diluted earnings per Class A common share	\$0.30	\$0.20	\$0.86	\$0.81

12

---

Table of Contents

## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

## (UNAUDITED)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands, except per share data)			
Basic earnings per Class B common share				
Net income	\$13,303	\$8,971	\$38,074	\$34,294
Allocated earnings and deemed dividends to preferred stock	—	(1,255)	—	(16,094)
Allocated earnings to other classes of common stock	(7,902)	(1,402)	(20,891)	(2,299)
Net income allocated to Class B common stockholders	5,401	6,314	17,183	15,901
Weighted-average Class B shares issued and outstanding	17,124	28,627	18,985	18,232
Basic earnings per Class B common share	\$0.32	\$0.22	\$0.91	\$0.87
Diluted earnings per Class B common share				
Net income allocated to Class B common stockholders	\$5,401	\$6,314	\$17,183	\$15,901
Re-allocated earnings	340	195	1,021	1,387
Diluted net income allocated to Class B common stockholders	5,741	6,509	18,204	17,288
Weighted-average Class B shares issued and outstanding	17,124	28,627	18,985	18,232
Dilutive potential common shares:				
Stock options	1,899	3,180	2,170	3,011
Warrants	—	55	—	198
Diluted weighted-average Class B shares issued and outstanding	19,023	31,862	21,155	21,441
Diluted earnings per Class B common share	\$0.30	\$0.20	\$0.86	\$0.81

As of September 30, 2011, 1,582,782 shares of Class A common stock issued to Walmart were subject to our repurchase right. Basic and diluted EPS for these shares were the same as basic and diluted EPS for our Class A common stock for the three and nine-month periods ended September 30, 2011 and 2010.

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Class A common stock				
Options to purchase Class A common stock	522	12	209	11
Class B common stock				

Edgar Filing: GREEN DOT CORP - Form 10-Q

Options to purchase Class B common stock	21	5	3	24
Conversion of convertible preferred stock	—	5,693	—	18,455
Total options and convertible preferred stock	21	5,698	3	18,479

13

---

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

## Note 9— Significant Customer Concentration

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

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

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
Walmart	61	% 63	% 60	% 63	%	
Three other largest retail distributors, as a group	20	% 20	% 20	% 20	%	

Excluding stock-based retailer incentive compensation of \$3.5 million and \$5.2 million for the three-month periods ended September 30, 2011 and 2010, respectively, and \$13.8 million and \$7.7 million for the nine-month periods ended September 30, 2011 and 2010, respectively, revenues derived from our products sold at our four largest retail distributors represented the following percentages of our total operating revenues:

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
Walmart	62	% 65	% 61	% 64	%	
Three other largest retail distributors, as a group	19	% 20	% 18	% 19	%	

In determining the customer concentration, we attributed our operating revenues to the retail distributor where the sale of the new cards and cash transfer products occurred. The concentration of GPR cards activated (in units) for Walmart and our three other largest retail distributors, in the aggregate, was 84% and 88% for the three-month periods ended September 30, 2011 and 2010, respectively, and 78% and 83% for the nine-month periods ended September 30, 2011 and 2010, respectively. The concentration of sales of cash transfer products (in units) for these retail distributors, in the aggregate, was 89% and 92% for the three-month periods ended September 30, 2011 and 2010, respectively, and 89% and 93% for the nine-month periods ended September 30, 2011 and 2010, respectively.

Settlement assets attributable to Walmart and our three other largest retail distributors, as a group, comprised 36% and 35%, respectively, of the settlement assets recorded on our consolidated balance sheet as of September 30, 2011 and 26% and 31%, respectively, as of December 31, 2010.

During the nine-month periods ended September 30, 2011 and 2010, the substantial majority of the customer funds underlying our products were held in bank accounts at two card issuing banks. These funds are held in trust for the benefit of the customers, and we have no legal rights to the customer funds or deposits at the card issuing banks. Additionally, we have receivables due from these card issuing banks included in accounts receivable, net, on our consolidated balance sheets. The failure of either of these card issuing banks could result in significant business disruption, a potential material adverse affect on our ability to service our customers, potential contingent obligations by us to customers and material write-offs of uncollectible receivables due from these card issuing banks.

## Note 10— Business Combination

On February 4, 2010, we entered into a definitive agreement to acquire 100% of the outstanding common shares and voting interest of Bonneville Bancorp for approximately \$15.7 million in cash, subject to approval by various regulatory authorities. Bonneville Bancorp, a Utah bank holding company, offers a range of business and consumer banking products in the Provo, Utah area through its bank subsidiary, Bonneville Bank, or the Bank. The Bank also originates commercial, industrial, residential, real estate and personal loans. We expect to focus the Bank on issuing

our Green Dot-branded debit cards linked to an FDIC-insured transactional account.  
As of September 30, 2011, regulatory approval of our proposed bank acquisition was still pending.

14

---

Table of Contents

GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

Note 11— Commitments and Contingencies

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.

15

---

Table of Contents

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

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

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

## Overview

Green Dot is a leading prepaid financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. We believe that we are the leading provider of general purpose reloadable prepaid debit cards in the United States and that our Green Dot Network is the leading reload network for prepaid cards in the United States. We sell our cards and offer our reload services nationwide at approximately 55,000 retail store locations, which provide consumers convenient access to our products and services. We review a number of metrics to help us monitor the performance of, and identify trends affecting, our business. We believe the following measures are the primary indicators of our quarterly and annual performance.

Number of GPR Cards Activated — represents the total number of GPR cards sold through our retail and online distribution channels that are activated (and, in the case of our online channel, also funded) by cardholders in a specified period. We activated 1.96 million and 1.47 million GPR cards in the three-month periods ended September 30, 2011 and 2010, respectively, and 5.99 million and 4.74 million GPR cards in the nine-month periods ended September 30, 2011 and 2010, respectively.

Number of Cash Transfers — represents the total number of MoneyPak and POS swipe reload transactions that we sell through our retail distributors in a specified period. We sold 8.87 million and 6.89 million MoneyPak and POS swipe reload transactions for the three-month periods ended September 30, 2011 and 2010, respectively, and 25.13 million and 19.23 million MoneyPak and POS swipe reload transactions for the nine-month periods ended September 30, 2011 and 2010, 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 4.15 million and 3.28 million active cards outstanding as of September 30, 2011 and 2010, respectively.

Gross Dollar Volume — represents the total dollar volume of funds loaded to our GPR card and reload products. Our gross dollar volume was \$4.1 billion and \$2.5 billion for the three-month periods ended September 30, 2011 and 2010, respectively, and \$12.4 billion and \$7.7 billion for the nine-month periods ended September 30, 2011 and 2010, respectively.

Total operating revenues for the three and nine months ended September 30, 2011 were \$115.4 million and \$347.7 million, respectively, compared to \$88.9 million and \$272.0 million for the three and nine months ended September 30, 2010, respectively. Total operating revenues were favorably impacted by increases in card revenues, cash transfer revenues and interchange revenues primarily due to period-over-period growth in all of our key metrics described above, partially offset by our recognition of stock-based retailer incentive compensation, which decreased \$1.7 million, or 33%, and increased \$6.1 million, or 79%, in the three and nine months ended September 30, 2011, respectively, from the comparable periods in 2010, and, to a lesser extent, increases in credits and incentives designed

to promote card usage and customer loyalty of \$1.1 million and \$3.9 million, respectively.

16

---



## Table of Contents

Net income for the three and nine months ended September 30, 2011 was \$13.3 million and \$38.1 million, respectively, as compared to \$9.0 million and \$34.3 million for the three and nine months ended September 30, 2010, respectively. Total net income grew 48% in the three months ended September 30, 2011, reflecting the total operating revenue growth described above, combined with efficiency gains in processing expenses and call center costs and a lower overall effective tax rate compared to the three months ended September 30, 2010, partially offset by a \$10.6 million increase in sales and marketing expenses as we invest in the expansion of our active card portfolio.

### Recent Developments

In October 2011, we entered into an agreement with Blackhawk Network, Inc., or Blackhawk, to sell Green Dot-brand GPR cards through Blackhawk's retailer network. Through this agreement, we expect our GPR products to be available at 10,000 Blackhawk Network Prepaid Center locations over the next 24 months. We also entered into an agreement with First Data Corporation to provide reload services for their payroll card programs.

In addition, we announced that we have agreed to double the number of products offered through Walmart by adding three new products to the current Walmart MoneyCard prepaid card product line, including a Visa Gold MoneyCard, a MasterCard Family Edition MoneyCard and a MasterCard Bill Pay MoneyCard. The new products will be part of a rebrand of the entire product line, which is scheduled to roll out nationwide during the fourth quarter of 2011.

### Key components of our results of operations

#### Operating Revenues

We classify our operating revenues into the following four categories:

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

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

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

**Interchange Revenues** — We earn interchange revenues from fees remitted by the merchant's bank, which are based on rates established by the payment networks, when cardholders make purchase transactions using our cards. 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.



## Table of Contents

Stock-based retailer incentive compensation — In May 2010, we issued to Walmart 2,208,552 shares of our Class A common stock, subject to our right to repurchase them at \$0.01 per share upon a qualifying termination of our prepaid card program agreement with Walmart and GE 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). We record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues. In addition, it is possible that, in the future, a warrant to purchase Class B common stock will vest and become exercisable upon the achievement of certain performance goals by PayPal. If this warrant vests, we will need to determine its fair value on the vesting date using an option pricing model, such as Black-Scholes, and will record that value as additional contra-revenue.

### Operating Expenses

We classify our operating expenses into the following four categories:

**Sales and Marketing Expenses** — Sales and marketing expenses consist primarily of the sales commissions we pay to our retail distributors and brokers for sales of our GPR and gift cards and reload services in their stores, advertising and marketing expenses, and the costs of manufacturing and distributing card packages, placards and promotional materials to our retail distributors and personalized GPR cards to consumers who have activated their cards. We generally establish sales commission percentages in long-term distribution agreements with our retail distributors, and aggregate sales commissions are determined by the number of prepaid cards and cash transfers sold at their respective retail stores. We incur advertising and marketing expenses for television and online advertisements of our products and through retailer-based print promotions and in-store displays. Advertising and marketing expenses are recognized as incurred and typically deliver a benefit over an extended period of time. For this reason, these expenses do not always track changes in 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 all call center operations, handle routine customer service inquiries and provide temporary support in the area of IT operations and elsewhere. Compensation and benefits expenses associated with our customer service and loss management functions generally vary in line with the size of our active card portfolio, while the expenses associated with other functions do not.

**Processing Expenses** — Processing expenses consist primarily of the fees charged to us by the banks that issue our prepaid cards, the third-party card processor that maintains the records of our customers' accounts and processes transaction authorizations and postings for us, and the payment networks, which process transactions for us. 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 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

We prepare our consolidated financial statements in accordance with GAAP. The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of

assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience, current circumstances and various other assumptions that our management believes to be reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual

## Table of Contents

results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

### Revenue Recognition

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

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

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

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

On occasion, we enter into incentive agreements with our retail distributors and offer incentives to customers designed to increase product acceptance and sales volume. We record these incentives, including the issuance of equity instruments, as a reduction of revenues and recognize them over the period the related revenues are recognized or as services are rendered, as applicable.

### Reserve for Uncollectible Overdrawn Accounts

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

We generally recover overdrawn account balances from those GPR cardholders that perform a reload transaction. In addition, we recover some purchase transaction overdrafts through enforcement of payment network rules, which allow us to recover the amounts from the merchant where the purchase transaction was conducted. However, we are exposed to losses from unrecovered GPR cardholder account overdrafts. The probability of recovering these amounts is primarily related to the number of days that have elapsed since an account had activity, such as a purchase, ATM transaction or fee assessment. Generally, we recover 50-60% of overdrawn account balances in accounts that have

## Table of Contents

had activity in the last 30 days, less than 15% in accounts that have had activity in the last 30 to 60 days, and less than 10% when more than 60 days have elapsed.

We establish a reserve for uncollectible overdrawn accounts for maintenance fees we assess and purchase transactions we honor, in each case in excess of a cardholder's account balance. We classify overdrawn accounts into age groups based on the number of days since the account last had activity. We then calculate a reserve factor for each age group based on the average recovery rate for the most recent six months. These factors are applied to these age groups to estimate our overall reserve. We rely on these historical rates because they have remained relatively consistent for several years. When more than 90 days have passed without any activity in an account, we consider recovery to be remote and charge off the full amount of the overdrawn account balance against the reserve for uncollectible overdrawn accounts.

Overdrafts due to maintenance fee assessments comprised approximately 92% of our total overdrawn account balances due from cardholders for the three months ended September 30, 2011. We charge our GPR cardholder accounts maintenance fees on a monthly basis pursuant to the terms and conditions in the applicable cardholder agreements. Although cardholder accounts become inactive or overdrawn, we continue to provide cardholders the ongoing functionality of our GPR cards, which allows them to reload and use their cards at any time. As a result, we continue to assess a maintenance fee until a cardholder account becomes overdrawn by an amount equal to two maintenance fees, currently \$6.00 for the Walmart MoneyCard and \$11.90 for our Green Dot-branded GPR cards. We recognize the fees ratably over the month for which they are assessed, net of the related provision for uncollectible overdrawn accounts, as a component of card revenues in our consolidated statements of operations.

We include our provision for uncollectible overdrawn accounts related to purchase transactions in other general and administrative expenses in our consolidated statements of operations.

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

### Employee Stock-Based Compensation

We record employee stock-based compensation expense using the fair value method of accounting. For stock options and stock purchases under the ESPP, we base compensation expense on fair values estimated at the grant date using the Black-Scholes option-pricing model. For stock awards, including restricted stock units, we base compensation expense on the fair value of our common stock at the grant date. We recognize compensation expense for awards with only service conditions that have graded vesting schedules on a straight-line basis over the vesting period of the award. Vesting is based upon continued service to our company.

We measure the fair value of equity instruments issued to non-employees as of the earlier of the date a performance commitment has been reached by the counterparty or the date performance is completed by the counterparty. We determine the fair value using the Black-Scholes option-pricing model or the fair value of our Class A or Class B common stock, as applicable, and recognize related expense in the same periods that the goods or services are received.

### Recent Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income: Presentation of Comprehensive Income, which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The ASU does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This ASU is effective for interim and annual periods beginning after December 15, 2011. Our adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which converges common fair value measurement and disclosure requirements in accordance with GAAP and IFRS. This ASU is effective for interim and annual periods beginning after December 15, 2011. Our adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, which requires additional information in the roll-forward of Level 3 assets and liabilities, including the presentation of purchases, sales, issuances and settlements on a gross basis. This ASU impacts disclosures only. We adopted this ASU in the first quarter of 2011.



Table of Contents

## Comparison of Three-Month Periods Ended September 30, 2011 and 2010

## Operating Revenues

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

	Three Months Ended September 30, 2011		2010		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(in thousands, except percentages)					
Operating revenues:					
Card revenues	\$49,966	43.3	% \$40,592	45.7	%
Cash transfer revenues	34,724	30.1	26,484	29.8	
Interchange revenues	34,246	29.7	27,044	30.4	
Stock-based retailer incentive compensation	(3,549)	) (3.1	) (5,216	) (5.9	)
Total operating revenues	\$115,387	100.0	% \$88,904	100.0	%

**Card Revenues** — Card revenues totaled \$50.0 million for the three months ended September 30, 2011, an increase of \$9.4 million, or 23%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 33% in the number of GPR cards activated and 27% in the number of active cards in our portfolio. This growth was driven by a variety of factors including growth in the number of our cards sold through our established distribution channels and expansion through our online distribution channel. The increase in card revenues was partially offset by an increase in customer incentives, such as our direct deposit enrollment promotion, that we record as a contra-revenue component of card revenues.

**Cash Transfer Revenues** — Cash transfer revenues totaled \$34.7 million for the three months ended September 30, 2011, an increase of \$8.2 million, or 31%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 29% in the number of cash transfers sold. The increase in cash transfer volume was driven both by growth in our active card base and growth in cash transfer volume from third-party programs participating in our network.

**Interchange Revenues** — Interchange revenues totaled \$34.2 million for the three months ended September 30, 2011, an increase of \$7.2 million, or 27%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 27% in the number of active cards in our portfolio and an increase in the average transactional volume of the active cards in our portfolio. Our interchange revenues were favorably impacted by a 63% increase in gross dollar volume, which was driven by the factors discussed above under “Card Revenues.” This impact was partially reduced by an increase in direct deposit customers, who typically account for a higher proportion of gross dollar volume than other customers and tend to withdraw more funds at ATMs or get cash back at the stores of our retail distributors compared to other customers. During the three months ended September 30, 2011, our interchange revenues benefited from a large number of taxpayers who filed extensions for their 2010 tax returns electing to receive their tax refunds via direct deposit on our cards and using those funds for purchase transactions.

**Stock-based retailer incentive compensation** — Our right to repurchase lapsed as to 110,430 shares issued to Walmart during the three months ended September 30, 2011. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock, resulting in \$3.5 million of stock-based retailer incentive compensation, a decrease of \$1.7 million, or 33%, from the comparable period in 2010. We began recognizing stock-based retailer incentive compensation in May 2010. As a result of volatility in the trading price of our Class A common stock, we expect that our stock-based retailer incentive compensation will decline in the fourth quarter of 2011 on a year-over-year basis.

Table of Contents

## Operating Expenses

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

	Three Months Ended September 30,				
	2011	% of Total	2010	% of Total	
	Amount	Operating	Amount	Operating	
		Revenues		Revenues	
	(in thousands, except percentages)				
Operating expenses:					
Sales and marketing expenses	\$40,851	35.4	% \$30,305	34.1	%
Compensation and benefits expenses	21,763	18.9	17,621	19.8	
Processing expenses	17,576	15.2	14,579	16.4	
Other general and administrative expenses	13,889	12.0	10,976	12.4	
Total operating expenses	\$94,079	81.5	% \$73,481	82.7	%

Sales and Marketing Expenses — Sales and marketing expenses totaled \$40.9 million for the three months ended September 30, 2011, an increase of \$10.6 million, or 35%, from the comparable period in 2010. The increase was primarily the result of increased numbers of GPR cards and cash transfers sold, as compared with the corresponding period in 2010.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$21.8 million for the three months ended September 30, 2011, an increase of \$4.2 million, or 24%, from the comparable period in 2010. This increase was primarily the result of additional employee headcount in IT, risk management, customer care and other areas, partially offset by efficiency gains in our call center costs.

Processing Expenses — Processing expenses totaled \$17.6 million for the three months ended September 30, 2011, an increase of \$3.0 million, or 21%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 27% in the number of active cards in our portfolio and 63% in gross dollar volume and a \$1.9 million increase in ATM processing fees as the volume of ATM transactions increased during the three months ended September 30, 2011. Processing expenses were partially offset by volume incentives from the payment networks.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$13.9 million for the three months ended September 30, 2011, an increase of \$2.9 million, or 26%, from the comparable period in 2010. The increase in other general and administrative expenses was due in part to a \$1.2 million increase in depreciation and amortization of property and equipment associated with infrastructure investments, including upgrades to our websites. Other items that contributed to the increase in other general and administrative expenses include increases in our provision for uncollectible overdrawn accounts related to purchase transactions and transaction losses, which fluctuate based on changes in gross dollar volume.

## Income Tax Expense

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

	Three Months Ended September		
	2011	2010	
U.S. federal statutory tax rate	35.0	% 35.0	%
State income taxes, net of federal benefit	1.3	3.1	
Change in state tax apportionment method	—	(0.3	)
Non-deductible offering costs	—	2.2	
Other	1.6	2.2	
Effective tax rate	37.9	% 42.2	%



Table of Contents

Our income tax expense increased by \$1.6 million to \$8.1 million in the three months ended September 30, 2011 from the comparable period in 2010, and our effective tax rate decreased 4.3 percentage points from 42.2% to 37.9%. The three months ended September 30, 2010 were primarily impacted by non-deductible expenses related to our July 2010 initial public offering recognized in the three months ended September 30, 2010. Excluding the impact of these discrete items, our effective tax rate would have been 40.0%. Certain enacted tax law changes, which became effective January 1, 2011, lowered the income we apportion to California from the comparable period in 2010, resulting in a lower effective state tax rate in 2011.

Comparison of Nine-Month Periods Ended September 30, 2011 and 2010

## Operating Revenues

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

	Nine Months Ended September 30, 2011		2010		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
	(in thousands, except percentages)				
Operating revenues:					
Card revenues	\$158,214	45.5	% \$124,978	45.9	%
Cash transfer revenues	98,260	28.3	73,630	27.1	
Interchange revenues	105,035	30.2	81,106	29.8	
Stock-based retailer incentive compensation	(13,785 )	(4.0 )	(7,673 )	(2.8 )	
Total operating revenues	\$347,724	100.0	% \$272,041	100.0	%

Card Revenues — Card revenues totaled \$158.2 million for the nine months ended September 30, 2011, an increase of \$33.2 million, or 27%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 26% in the number of GPR cards activated and 27% in the number of active cards in our portfolio. This growth was driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2011 and 2010—Operating Revenues—Card Revenues.”

Cash Transfer Revenues — Cash transfer revenues totaled \$98.3 million for the nine months ended September 30, 2011, an increase of \$24.7 million, or 34%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 31% in the number of cash transfers sold. The increase in cash transfer volume was driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2011 and 2010—Operating Revenues—Cash Transfer Revenues.”

Interchange Revenues — Interchange revenues totaled \$105.0 million for the nine months ended September 30, 2011, an increase of \$23.9 million, or 29%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 27% in the number of active cards in our portfolio, an increase in the average transactional volume of the active cards in our portfolio and a 60% increase in gross dollar volume. This growth was driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2011 and 2010—Operating Revenues—Interchange Revenues.”

Stock-based retailer incentive compensation — Our right to repurchase lapsed as to 331,290 shares issued to Walmart during the nine months ended September 30, 2011. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock, resulting in \$13.8 million of stock-based retailer incentive compensation, an increase of \$6.1 million, or 79%, from the comparable period in 2010.

Table of Contents

## Operating Expenses

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

	Nine Months Ended September 30, 2011		2010		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(in thousands, except percentages)					
Operating expenses:					
Sales and marketing expenses	\$ 126,164	36.3	% \$87,777	32.3	%
Compensation and benefits expenses	64,566	18.6	50,474	18.6	
Processing expenses	54,639	15.7	43,131	15.9	
Other general and administrative expenses	41,192	11.8	33,997	12.4	
Total operating expenses	\$286,561	82.4	% \$215,379	79.2	%

**Sales and Marketing Expenses** — Sales and marketing expenses totaled \$126.2 million for the nine months ended September 30, 2011, an increase of \$38.4 million, or 44%, from the comparable period in 2010. The increase was primarily the result of increased numbers of GPR cards and cash transfers sold, compared with the corresponding period in 2010, and an increase in sales commissions due largely to increased sales commissions paid to Walmart as a result of entering into our amended prepaid card agreement in May 2010.

**Compensation and Benefits Expenses** — Compensation and benefits expenses totaled \$64.6 million for the nine months ended September 30, 2011, an increase of \$14.1 million, or 28%, from the comparable period in 2010. This increase was primarily the result of a \$11.2 million increase in employee compensation and benefits, which included a \$1.8 million increase in employee stock-based compensation. The period-over-period growth in employee compensation and benefits is due to additional employee headcount as we continued to expand our operations to support several key growth initiatives, such as our proposed bank acquisition, new product development and new sales efforts, and growth in our IT infrastructure and risk operations. The increase in compensation and benefits expenses was also due to a \$2.9 million increase in third-party call center contractor expenses as the number of active cards in our portfolio and associated call volumes increased during the nine months ended September 30, 2011.

**Processing Expenses** — Processing expenses totaled \$54.6 million for the nine months ended September 30, 2011, an increase of \$11.5 million, or 27%, from the comparable period in 2010. The increase was primarily the result of period-over-period growth of 27% in the number of active cards in our portfolio and 60% in gross dollar volume and a \$5.9 million increase in ATM processing fees as the volume of ATM transactions increased during the nine months ended September 30, 2011. Processing expenses were partially offset by volume incentives from the payment networks.

**Other General and Administrative Expenses** — Other general and administrative expenses totaled \$41.2 million for the nine months ended September 30, 2011, an increase of \$7.2 million, or 21%, from the comparable period in 2010. The increase in other general and administrative expenses was primarily the result of increases in depreciation and amortization of property and equipment, our provision for uncollectible overdrawn accounts related to purchase transactions, and transaction losses, which fluctuate based on changes in GDV. These increases were partially offset by a decrease of \$4.7 million in professional service expenses. During the nine months ended September 30, 2010, we incurred professional services expenses in connection with our initial public offering, which was completed in July 2010.

Table of Contents

## Income Tax Expense

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

	Nine Months Ended September 30,			
	2011		2010	
U.S. federal statutory tax rate	35.0	%	35.0	%
State income taxes, net of federal benefit	1.3		3.6	
Change in State Apportionment Method	—		(3.9	)
Non-deductible offering costs	—		3.4	
Other	1.8		1.6	
Effective tax rate	38.1	%	39.7	%

Our income tax expense increase by \$0.9 million to \$23.5 million in the nine months ended September 30, 2011 from the comparable period in 2010, and our effective tax rate decreased 1.6 percentage points from 39.7% to 38.1%. The nine months ended September 30, 2010 was impacted by several discrete items. The FTB approved our petition to retroactively apply an alternative apportionment method to our income tax returns filed for the five months ended December 31, 2009 and the year ended July 31, 2009. We recognized this benefit in the nine months ended September 30, 2010. This tax benefit was partially offset by non-deductible expenses related to our initial public offering recognized in the nine months ended September 30, 2010. Excluding the impact of these discrete items, our effective tax rate would have been 40.2%. Certain enacted tax law changes, which became effective January 1, 2011, lowered the income we apportion to California from the comparable period in 2010, resulting in a lower effective state tax rate in 2011.

## Liquidity and Capital Resources

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

	Nine Months Ended September 30,	
	2011	2010
Total cash provided by (used in)		
Operating activities	\$76,509	\$77,493
Investing activities	(52,218	) (103
Financing activities	6,500	1,888
Increase in unrestricted cash and cash equivalents	\$30,791	\$79,278

In the nine-month periods ended September 30, 2011 and 2010, we financed our operations primarily through our cash flows from operations. At September 30, 2011, our primary source of liquidity was unrestricted cash and cash equivalents totaling \$198.3 million.

We use trend and variance analyses to project future cash needs, making adjustments to the projections when needed. We believe that our current unrestricted cash and cash equivalents and cash flows from operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months. Thereafter, we may need to raise additional funds through public or private financings or borrowings. Any additional financing we require may not be available on terms that are favorable to us, or at all. If we raise additional funds through the issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A and Class B common 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.

In February 2010, we entered into a definitive agreement to acquire a bank holding company and its subsidiary commercial bank, and filed applications with the appropriate federal and state regulators seeking approval for this transaction. Under the terms of the agreement, we have agreed to acquire all of the outstanding common shares and voting interest of Bonneville Bancorp for an aggregate purchase price of approximately \$15.7 million in cash. We plan to pay for the acquisition with existing cash balances. Our proposed bank acquisition is subject to regulatory approval and other customary closing conditions. The parties have been working expeditiously to be in position to

close the transaction as soon as practicable following regulatory approval, if obtained. As a part of ordinary course of the application process, several of our major stockholders have been asked by the staff of the Federal Reserve to enter

25

---

Table of Contents

into passivity commitments with the Board of Governors of the Federal Reserve. There can be no assurance that we will obtain regulatory approval or that our proposed bank acquisition will close.

Cash Flows from Operating Activities

Our \$76.5 million of net cash provided by operating activities in the nine months ended September 30, 2011 principally resulted from \$38.1 million of net income, certain adjustments for non-cash operating expenses of \$28.2 million and a decrease in our income tax receivable of \$10.4 million. Our \$77.5 million of net cash provided by operating activities in the nine months ended September 30, 2010 principally resulted from \$34.3 million of net income, certain adjustments for non-cash operating expenses of \$18.7 million and increases in various liability accounts.

Cash Flows from Investing Activities

Our \$52.2 million of net cash used in investing activities in the nine months ended September 30, 2011 reflects purchases of available-for-sale investment securities of \$40.1 million, payments for acquisition of property and equipment of \$17.0 million and an increase in restricted cash of \$5.2 million, partially offset by proceeds from the maturity of available-for-sale investment securities of \$10.0 million. In March 2011, we increased our cash collateral requirements on our line of credit from \$5.0 million to \$10.0 million. We present our cash collateral requirements on our consolidated balance sheets as restricted cash. Our \$0.1 million of net cash provided by investing activities in the nine months ended September 30, 2010 reflects a decrease in restricted cash of \$10.2 million offset by payments for acquisition of property and equipment of \$10.3 million. In September 2010, we reduced our cash collateral requirements on our line of credit from \$15.0 million to \$5.0 million.

Cash Flows from Financing Activities

Our \$6.5 million of net cash provided by financing activities in the nine months ended September 30, 2011 was the result of excess tax benefits of \$2.2 million and proceeds from the exercise of stock options and the issuance of ESPP shares of \$4.3 million. Our \$1.9 million of net cash provided by financing activities for the nine months ended September 30, 2010 was the result of proceeds from the exercise of stock options and warrants.

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, cash equivalents, restricted cash, and available-for-sale investment securities, our 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 may be invested 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.

26

---

Table of Contents

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 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 September 30, 2011 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.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

On October 7, 2011, a lawsuit was filed against us by Integrated Technological Systems, Inc. (“ITS”) in the United States District Court for the District of Nevada. ITS alleges that we infringe U.S. Patent No. 7,912,786 entitled “Integrated Technology Money Transfer System.” The lawsuit includes allegations bearing material relation to our products. ITS seeks a permanent injunction against the alleged infringement, compensatory damages, costs and attorney's fees. We believe we have meritorious defenses to ITS's contentions, and intend to defend the lawsuit vigorously.

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 Quarterly Report on Form 10-Q filed with the SEC on August 11, 2011.

Risks Related to Our Business

Our growth rates may decline in the future.

In recent quarters, our total operating income, net income and the rate of growth of our operating revenues have fluctuated. Sequential growth was negative in the second and third quarter of 2010 and 2011. Accordingly, there can be no assurance that we will be able to continue our historical growth rates in future periods, and we would expect seasonal or other influences, 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. In particular, our results for each of the first three quarters of 2011 were favorably affected by large numbers of taxpayers electing to receive their refunds via direct deposit on our cards. As we expect a significantly lower level of tax refund activity in the fourth quarter of 2011, our quarterly total operating revenues for the fourth quarter of 2011 may be below those in the previous quarters of 2011.

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

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

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

business, operating results and financial condition would be adversely affected.

28

---

Table of Contents

Operating revenues derived from sales at Walmart and from our three other largest retail distributors, as a group, represented 61% and 20%, respectively, of our total operating revenues and 62% and 19%, respectively, of our total operating revenues, excluding stock-based retailer incentive compensation, during the three months ended September 30, 2011, and the loss of operating revenues from any of these retail distributors would adversely affect our business.

Most of our operating revenues are derived from prepaid financial services sold at our four largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart and from products and services sold at the store locations of our three other largest retail distributors, as a group, were approximately 61% and 20%, respectively, in the three months ended September 30, 2011. We do not expect our 2011 operating revenues derived from products and services sold at Walmart stores to change significantly as a percentage of our total operating revenues from the percentage in the three months ended September 30, 2011, 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 2012 and 2015, but they can in limited circumstances, such as our material breach or insolvency or, in the case of Walmart, our failure to meet agreed-upon service levels, certain changes in control of GE Money Bank or us, or our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. There can be no assurance that we will be able to continue our relationships with our largest retail distributors on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. Our operating revenues and operating results could suffer if, among other things, any of our retail distributors renegotiates, terminates or fails to renew, or to renew on similar or favorable terms, its agreement with us or otherwise chooses to modify the level of support it provides for our products.

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

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

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

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

the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;  
the timing and success of new product or service introductions by us or our competitors;  
seasonality in the purchase or use of our products and services;  
reductions in the level of interchange rates that can be charged;  
fluctuations in customer retention rates;  
changes in the mix of products and services that we sell;

Table of Contents

• 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 initiatives that cause us to expand into new distribution channels, such as our recently-announced payroll initiative, and the length of time we must invest in those channels before they generate material operating revenues;  
• changes in our or our competitors' pricing policies or sales terms;  
• the timing of commencement and termination of major advertising campaigns;  
• the timing of costs related to the development or acquisition of complementary businesses;  
• the timing of costs of any major litigation to which we are a party;  
• the amount and timing of operating costs related to the maintenance and expansion of our business, operations and infrastructure;  
• our ability to control costs, including third-party service provider costs;  
• volatility in the trading price of our Class A common stock, which may lead to higher stock-based compensation expenses or fluctuations in the valuations of vesting equity that cause variations in our stock-based retailer incentive compensation; and  
• changes in the political or regulatory environment affecting the banking or electronic payments industries generally or prepaid financial services specifically.

The industry in which we compete is highly competitive, which could adversely affect our operating revenue growth. The prepaid financial services industry is highly competitive and includes a variety of financial and non-financial services vendors. Our current and potential competitors include:

• prepaid card program managers, such as American Express Company, First Data Corporation, NetSpend Holdings, Inc., AccountNow, Inc., PreCash Inc. and UniRush, LLC;  
• reload network providers, such as Visa, Inc. (or Visa), MasterCard International Incorporated (or MasterCard), 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 potential competition from retail distributors or from other companies, such as Visa, that may in the future decide to compete, or compete more aggressively, in the prepaid financial services industry.

We also compete with businesses outside of the prepaid financial services industry, including traditional providers of financial services, such as banks that offer demand deposit accounts and card issuers that offer credit cards, private label retail cards and gift cards. 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 our industry and the larger 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 may also face price competition that results in decreases in the purchase and use of our products and services. To stay competitive, we may have to increase the incentives that we offer to our retail distributors and decrease the prices of our products and services, which could adversely affect our operating results.

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

could be materially and adversely affected.

30

---



Table of Contents

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

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

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

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

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

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the nine months ended September 30, 2011, interchange revenues represented 30.2% 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 Wall Street Reform and Consumer Protection Act, or 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 the bank we propose to acquire 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. 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.

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.

31

---

Table of Contents

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 July 2011, FinCEN released final rules regulating prepaid access. Although we believe these regulations have not adversely impacted prepaid products such as ours or required material operational changes by prepaid financial services providers such as us or our retail distributors, there can be no assurance that the interpretation or enforcement of these regulations will not adversely impact our products or require operational changes by us or our retail distributors. 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 have become increasingly focused on the banking and consumer financial services industries, and continue to propose and adopt new legislation that could result in significant adverse changes in the regulatory landscape for financial institutions (including card issuing banks) and other financial services companies (including us). For example, changes in the way we or the banks that issue our cards are regulated, such as the changes under the Dodd-Frank Act, related to the consolidation of the primary federal regulator for savings banks with the primary federal regulator for national banks and the establishment of a federal Bureau of Consumer Financial Protection with oversight over us and our products and services, could expose us and the banks that issue our cards to increased regulatory oversight, more burdensome regulation of our business, and increased litigation risk, each of which could increase our costs and decrease our operating revenues. Additionally, changes to the limitations placed on fees, the interchange rates that can be charged or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues. Our actual operating results may differ significantly from our guidance.

From time to time, we may release 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.

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



Table of Contents

Our proposed bank acquisition will, if completed, subject our business to significant new, and potentially changing, regulatory requirements, which may adversely affect our business, financial position and results of operations. If we complete our proposed bank acquisition, we will become a “bank holding company” under the the Bank Holding Company Act of 1956, or BHC Act. As a bank holding company, we would be required to file periodic reports with, and would be subject to comprehensive supervision and examination by, the Federal Reserve Board. Among other things, we and our proposed subsidiary bank would be subject to risk-based and leverage capital requirements, which could adversely affect our results of operations and restrict our ability to grow. These capital requirements, as well as other federal laws applicable to banks and bank holding companies, could also limit our ability to pay dividends. We also would likely incur additional costs associated with legal and regulatory compliance as a bank holding company, which could adversely affect our results of operations. In addition, as a bank holding company, we would generally be prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies. This restriction might limit our ability to pursue future business opportunities we might otherwise consider but which might fall outside the activities permissible for a bank holding company.

Moreover, substantial changes to banking laws and regulations are possible in the near future. The Dodd-Frank Act made numerous changes to the regulatory framework governing banking organizations, and many of the provisions must be implemented by regulation. These regulations could likewise substantially affect our business and operations. We rely on relationships with card issuing banks to conduct our business, and our results of operations and financial position could be materially and adversely affected if we fail to maintain these relationships or we maintain them under new terms that are less favorable to us.

Substantially all of our cards are issued by GE Money Bank or CB&T, a division of Synovus Bank. Our relationships with these banks are currently, and will be for the foreseeable future, a critical component of our ability to conduct our business and to maintain our revenue and expense structure, because we are currently unable to issue our own cards, and, even if we consummate our pending bank acquisition, will be unable to do so for the foreseeable future at the volume necessary to conduct our business, if at all. We may be unable to maintain relationships with the 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 banking relationships, we would incur significant switching and other costs and expenses and we and users of our products and services could be significantly affected, creating contingent liabilities for us. As a result, the failure to maintain adequate banking relationships could have a material adverse effect on our business, results of operations and financial condition. Our agreements with the banks that issue our cards provide for revenue-sharing arrangements and cost and expense allocations between the parties. Changes in the revenue-sharing arrangements or the costs and expenses that we have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or, following their expiration in 2015 and 2012, respectively, renew our agreements with the banks that currently issue substantially all of our cards under terms at least as favorable to us as those existing before renewal.

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

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

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

Table of Contents

develop or develops more slowly than expected or if there is a shift in the mix of payment forms, such as cash, credit cards, traditional debit cards and prepaid cards, away from our products and services, it could have a material adverse effect on our financial position and results of operations.

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

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

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

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

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

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

We are subject to litigation and regulatory oversight in the normal course of our business, and may be subject to regulatory or judicial proceedings or investigations from time to time. In May 2011, the office of the Attorney General of Florida announced that it is investigating five prepaid debit card providers, including us, relating to the allegation of possible hidden fees on their cards. We have conducted a thorough review of this allegation as it relates to our cards and have held meetings with the Attorney General's office to provide requested information in connection with this ongoing investigation. In addition, in October 2011, ITS filed a lawsuit against us, alleging that we infringe one of its patents and is seeking a permanent injunction against the alleged infringement, compensatory damages, costs, and attorney's fees. The outcome of 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 or seek to have aspects of our business suspended or modified. The monetary and other impact of these actions may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant. Further, an unfavorable resolution of litigation, investigations or proceedings could have a

material adverse effect on our business, operating results, or financial condition.

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. For example,

34

---



Table of Contents

after the Florida Attorney General's office announced its investigation, several law firms announced that they were investigating us for potential consumer class action lawsuits or derivative lawsuits for breach of fiduciary duties by our board of directors. While we would defend ourselves vigorously against such lawsuits to the extent that any are ultimately initiated against us, the outcome of litigation is difficult to predict and the cost to defend, settle or otherwise resolve these matters may be significant. For the foregoing reasons, if regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, our business, results of operations and financial condition could be adversely affected or our stock price could decline.

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

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

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

We are exposed to losses from cardholder account overdrafts.

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

Maintenance fee assessment overdrafts accounted for approximately 92% of aggregate overdrawn account balances in the three months ended September 30, 2011. 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 card association-permitted timeframe but subsequent to our release of the authorization for that transaction, as permitted by card association rules. Under card association rules, we may be liable for the amount of the transaction even if the cardholder has made additional purchases in the intervening period and funds are no longer available on the card at the time the transaction is posted.

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

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

The vast majority of our business is conducted through retail distributors that sell our products and services to consumers at their store locations. Our retail distributors collect funds from the consumers who purchase our products and services and then must remit these funds directly to accounts established 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 three business days. If a retail distributor becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to the card issuing bank from the sales of our products and services, we are liable for any amounts owed to the card issuing bank. As of September 30, 2011, we had assets subject to settlement risk of \$23.3 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.

35

---

Table of Contents

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.

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

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

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

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

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

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

The electronic payments industry, including the prepaid financial services segment within that industry, depends heavily upon the overall level of consumer spending. 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.



Table of Contents

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

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

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

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

The electronic payments industry is subject to rapid and significant technological changes, including continuing advancements in the areas of radio frequency and proximity payment devices (such as contactless cards), e-commerce and mobile commerce, among others. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of, and access to, new technologies. We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. Additionally, we may make future investments in, or enter into strategic alliances to develop, new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. However, our ability to transition to new services and technologies that we develop may be inhibited by a lack of industry-wide standards, by resistance from our retail distributors, network acceptance members, third-party processors or consumers to these changes, or by the intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful or may have an adverse effect on our business, financial condition and results of operations.

As a public company, we are required to assess our internal control over financial reporting on an annual basis, and any future adverse results from such assessment could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

As a public company, we are required to evaluate and maintain our system of internal control over financial reporting, and report on management's assessment thereof, in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and related rules and regulations of the SEC and the Public Company Accounting Oversight Board. The adequacy of our internal control over financial reporting must be assessed by management for each year commencing with the year ending December 31, 2011. We have documented our internal control over financial reporting and are in the process of testing our compliance with these controls on a periodic basis in accordance with Section 404 of the Sarbanes-Oxley Act. If we were unable to comply with Section 404, management might not be able to certify, and our independent registered public accounting firm might not be able to report on, the adequacy of our internal control over financial reporting. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse

regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements.

37

---

Table of Contents

The changes necessitated by becoming a public company in July 2010 require a significant commitment of resources and management oversight that has increased and may continue to increase our costs and might place a strain on our systems and resources. In addition, we might not be successful in implementing and maintaining controls and procedures that comply with these requirements. If we fail to maintain an effective internal control environment or to comply with the numerous legal and regulatory requirements imposed on public companies, we could make material errors in, and be required to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

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

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

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

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

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

**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 and may continue to fluctuate significantly. 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;

38

---



Table of Contents

- 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. 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 and our Class A common stock has one vote per share. Based upon beneficial ownership as of September 30, 2011, our current directors, executive officers, holders of more than 5% of our total shares of common stock outstanding and their respective affiliates will, in the aggregate, beneficially own approximately 53.2% of our outstanding Class A and Class B common stock, representing approximately 89.7% 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 and Delaware law could discourage, delay or prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our 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%, if we become a bank holding company;
- 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.

39

---

Table of Contents

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.

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.

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

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Should we complete our proposed acquisition of a bank holding company and its subsidiary commercial bank, as a bank holding company, our ability to pay future dividends could be limited by the capital requirements imposed under the BHC Act, as well as other federal laws applicable to banks and bank holding companies.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Table of Contents

ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
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.

Table of Contents

SIGNATURE

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

Green Dot Corporation

Date: November 10, 2011

By: /s/ John L. Keatley

Name: John L. Keatley

Title: Chief Financial Officer

(Authorized Officer and Principal Financial Officer)

42

---

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
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.