

GREEN DOT CORP  
Form 10-Q  
May 10, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

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

Commission file number 001-34819

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GREEN DOT CORPORATION

(Exact name of Registrant as specified in its charter)

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Delaware

95-4766827

(State or other jurisdiction

(IRS Employer

of incorporation or organization)

Identification No.)

605 E. Huntington Drive, Suite 205

(626) 775-3400

Monrovia, California 91016

(Registrant's telephone number, including area code)

(Address of principal executive offices, including zip  
code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller  
reporting company)

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

There were 30,417,707 shares of Class A common stock, par value \$.001 per share, (which number does not include 6,859,000 shares of Class A common stock issuable upon conversion of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock) and 5,170,556 shares of Class B common stock, par value \$.001 per share, outstanding as of April 30, 2012.



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## PART I – FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## GREEN DOT CORPORATION

## CONSOLIDATED BALANCE SHEETS

	March 31, 2012	December 31, 2011
	(unaudited)	
	(In thousands, except par value)	
Assets		
Current assets:		
Unrestricted cash and cash equivalents	\$117,644	\$223,033
Federal funds sold	1,976	2,400
Investment securities available-for-sale, at fair value	69,744	20,647
Settlement assets	34,647	27,355
Accounts receivable, net	46,996	41,307
Prepaid expenses and other assets	15,648	12,248
Income tax receivable	1,612	3,371
Net deferred tax assets	6,671	6,664
Total current assets	294,938	337,025
Restricted cash	13,041	12,926
Investment securities available-for-sale, at fair value	68,316	10,563
Accounts receivable, net	4,135	4,147
Loans to bank customers	9,159	10,036
Prepaid expenses and other assets	1,523	460
Property and equipment, net	31,471	27,281
Deferred expenses	9,771	12,604
Goodwill	41,481	10,817
Total assets	\$473,835	\$425,859
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$29,930	\$15,441
Deposits	39,472	38,957
Settlement obligations	34,647	27,355
Amounts due to card issuing banks for overdrawn accounts	42,947	42,153
Other accrued liabilities	19,573	16,248
Deferred revenue	16,054	21,500
Total current liabilities	182,623	161,654
Other accrued liabilities	7,595	6,239
Deferred revenue	13	19
Net deferred tax liabilities	4,778	4,751
Total liabilities	195,009	172,663
Stockholders' equity:		
Convertible Series A preferred stock, \$0.001 par value: 10 shares authorized as of March 31, 2012 and December 31, 2011, respectively; 7 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively	7	7
Class A common stock, \$0.001 par value; 100,000 shares authorized as of March 31, 2012 and December 31, 2011, respectively; 30,418 and 30,162 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively	30	30
	5	5

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Class B convertible common stock, \$0.001 par value, 100,000 shares authorized as of March 31, 2012 and December 31, 2011, respectively; 5,171 and 5,280 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively

Additional paid-in capital	139,918	131,383
Retained earnings	138,857	121,741
Accumulated other comprehensive income	9	30
Total stockholders' equity	278,826	253,196
Total liabilities and stockholders' equity	\$473,835	\$425,859
See notes to unaudited consolidated financial statements		

Table of ContentsGREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
	(In thousands, except per share data)	
Operating revenues:		
Card revenues and other fees	\$62,373	\$54,324
Cash transfer revenues	39,643	31,149
Interchange revenues	43,506	37,714
Stock-based retailer incentive compensation	(3,190)	(5,880)
Total operating revenues	142,332	117,307
Operating expenses:		
Sales and marketing expenses	52,572	42,539
Compensation and benefits expenses	26,153	21,137
Processing expenses	20,850	19,733
Other general and administrative expenses	15,904	13,393
Total operating expenses	115,479	96,802
Operating income	26,853	20,505
Interest income	1,199	103
Interest expense	(264)	(1)
Income before income taxes	27,788	20,607
Income tax expense	10,672	7,906
Net income	17,116	12,701
Income attributable to preferred stock	(2,772)	—
Net income allocated to common stockholders	\$14,344	\$12,701
Basic earnings per common share:		
Class A common stock	\$0.40	\$0.30
Class B common stock	\$0.40	\$0.30
Basic weighted-average common shares issued and outstanding:		
Class A common stock	28,839	17,525
Class B common stock	5,230	22,537
Diluted earnings per common share:		
Class A common stock	\$0.39	\$0.29
Class B common stock	\$0.39	\$0.29
Diluted weighted-average common shares issued and outstanding:		
Class A common stock	35,867	42,481
Class B common stock	7,012	24,945
See notes to unaudited consolidated financial statements		

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GREEN DOT CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net income	17,116	12,701
Other comprehensive loss, net of tax		
Unrealized holding losses arising during period, net of reclassification adjustments for amounts included in net income	(21	) (2
Comprehensive income	17,095	12,699
See notes to unaudited consolidated financial statements		

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GREEN DOT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Operating activities		
Net income	\$17,116	\$12,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,651	2,531
Provision for uncollectible overdrawn accounts	13,235	13,398
Employee stock-based compensation	3,489	1,861
Stock-based retailer incentive compensation	3,190	5,880
Amortization of premium on available-for-sale investment securities	264	—
Net gain on investment securities	(8	) —
(Recovery) provision for uncollectible trade receivables	(429	) 4
Impairment of capitalized software	43	232
Deferred income taxes	—	107
Excess tax benefits from exercise of options	(1,268	) (1,363
Changes in operating assets and liabilities:		
Settlement assets	(7,292	) 835
Accounts receivable, net	(17,677	) (10,764
Prepaid expenses and other assets	(4,364	) 108
Deferred expenses	2,833	1,528
Accounts payable and other accrued liabilities	18,802	6,303
Settlement obligations	7,292	(835
Amounts due issuing bank for overdrawn accounts	794	3,170
Deferred revenue	(5,452	) (2,543
Income tax receivable	3,044	7,723
Net cash provided by operating activities	37,263	40,876
Investing activities		
Purchases of available-for-sale investment securities	(122,077	) (7,985
Proceeds from maturities of available-for-sale securities	8,053	—
Proceeds from sales of available-for-sale securities	7,700	—
Increase in restricted cash	(115	) (5,159
Payments for acquisition of property and equipment	(7,833	) (5,393
Net principal collections on loans	877	—
Acquisition of Loopt Inc., net of cash acquired	(32,052	) —
Net cash used in investing activities	(145,447	) (18,537
Financing activities		
Proceeds from exercise of options	588	1,531
Excess tax benefits from exercise of options	1,268	1,363
Net increase in deposits	515	—
Net cash provided by financing activities	2,371	2,894
Net (decrease) increase in unrestricted cash and cash equivalents	(105,813	) 25,233
Unrestricted cash, cash equivalents, and federal funds, beginning of year	225,433	167,503
Unrestricted cash, cash equivalents, and federal funds, end of period	\$119,620	\$192,736
Cash paid for interest	\$28	\$—



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Cash paid for income taxes	\$9,827	\$76
See notes to unaudited consolidated financial statements		

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GREEN DOT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1—Organization

Green Dot Corporation (“we,” “us” and “our” refer to Green Dot Corporation and its wholly-owned subsidiaries, Next Estate Communications, Inc.; Green Dot Bancorp; Green Dot Bank; and Loopt, Inc.) is a leading financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. Our products 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 Green Dot Bank and third-party issuing banks including GE Capital Retail Bank (formerly GE Money Bank) and Columbus Bank and Trust Company, a division of Synovus Bank. We also have multi-year distribution arrangements with many large and medium-sized retailers, such as Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, Meijer and Radio Shack, and with various industry resellers, such as Blackhawk Network, Inc. and Incomm. We refer to participating retailers collectively as our “retail distributors.”

Acquisitions

In November 2011, the Board of Governors of the Federal Reserve System and the Utah Department of Financial Institutions approved our applications to acquire Bonneville Bancorp, renamed Green Dot Bancorp, a Utah bank holding company, and its bank subsidiary, Bonneville Bank, renamed Green Dot Bank. We thereby became a bank holding company under the Bank Holding Company Act of 1956. In December 2011, we completed our acquisition of Green Dot Bancorp for approximately \$15.7 million in cash. We contributed \$14.3 million in cash to Green Dot Bank in December 2011 to provide an initial capital base for its expanded operations.

In March 2012, we acquired Loopt, Inc., or Loopt, for approximately \$33.6 million in cash in exchange for all of its outstanding shares. We also have also committed to pay \$9.8 million in retention-based incentives for employees we hired in connection with the acquisition of Loopt. The results of operations are included in our consolidated results of operations following the acquisition date. Pro-forma results of operations have not been presented because the effect of this acquisition was not material to our financial results.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

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

We have also prepared the accompanying unaudited consolidated financial statements in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X and, consequently, they do not include all of the annual disclosures required by GAAP. Reference is made to our Annual Report on Form 10-K for the year ended December 31, 2011, for additional disclosures, including a summary of our significant accounting policies. There have been no changes to our significant accounting policies during the three months ended March 31, 2012, except as noted below. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal and recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for the three months ended March 31, 2012 are not necessarily indicative of future results.

Change in Estimate

We defer and recognize new card fee revenues, a component of card revenues and other fees, on a straight-line basis over our average card lifetime. We determine the average card lifetime based on our recent historical data for

comparable products. Based on recent trends in our historical data, we shortened the period we analyze GPR cards activated from forty-two months prior to each balance sheet date to thirty months and we adjusted our average card lifetime estimate from nine months to eight months during the three months ended March 31, 2012. The impact of this change was not material to our unaudited consolidated financial statements.

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

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

## Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income. 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. ASU 2011-05 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. ASU 2011-12 only defers those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. We adopted these ASUs in the first quarter of 2012. The adoptions of these standards did not have a significant impact on our consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment, which provides entities testing goodwill for impairment to now have an option of performing a qualitative assessment before having to calculate the fair value of a reporting unit. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more-likely-than-not less than the carrying amount, the existing quantitative impairment test is required. Otherwise, no further impairment testing is required. We adopted this ASU in the first quarter of 2012. The adoption of this standard did not have any 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. We adopted this ASU in the first quarter of 2012. The adoption of this standard did not have a significant impact on our consolidated financial statements.

## 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 stockholders' equity.

As of March 31, 2012 and December 31, 2011, our available-for-sale investment securities were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
March 31, 2012				
Corporate bonds	\$33,133	\$65	\$(1)	) \$33,197
Commercial paper	15,252	3	—	) 15,255
Negotiable certificate of deposit	3,500	—	—	) 3,500
U.S. treasury notes	42,870	—	(25)	) 42,845
Agency securities	35,878	6	(44)	) 35,840
Municipal bonds	4,815	14	(3)	) 4,826
Asset-backed securities	2,597	—	—	) 2,597
Total fixed income securities	\$138,045	\$88	\$(73)	) \$138,060
December 31, 2011				
Corporate bonds	\$16,307	\$27	\$(1)	) \$16,333
Commercial paper	4,998	1	—	) 4,999

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Negotiable certificate of deposit	3,500	—	—	3,500
Agency securities	3,979	12	(4	) 3,987
Municipal bonds	2,379	13	(1	) 2,391
Total fixed income securities	\$31,163	\$53	\$(6	) \$31,210

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 3—Investment Securities (continued)

As of March 31, 2012 and December 31, 2011, the gross unrealized losses and fair values of available-for-sale investment securities that were in unrealized loss positions were as follows:

	Less than 12 months		12 months or more		Total fair value	Total unrealized loss
	Fair value	Unrealized loss	Fair value	Unrealized loss		
	(In thousands)					
March 31, 2012						
Fixed income securities						
Corporate bonds	\$5,597	\$(1 )	\$—	\$—	\$5,597	\$(1 )
U.S. treasury notes	42,845	(25 )	—	—	42,845	(25 )
Agency securities	26,008	(44 )	—	—	26,008	(44 )
Municipal bonds	2,642	(3 )	—	—	2,642	(3 )
Total fixed income securities	\$77,092	\$(73 )	\$—	\$—	\$77,092	\$(73 )
December 31, 2011						
Fixed income securities						
Corporate bonds	\$2,999	\$(1 )	\$—	\$—	\$2,999	\$(1 )
Agency securities	1,663	(4 )	—	—	1,663	(4 )
Municipal bonds	324	(1 )	—	—	324	(1 )
Total fixed income securities	\$4,986	\$(6 )	\$—	\$—	\$4,986	\$(6 )

We did not record any other-than-temporary impairment losses during the three-month periods ended March 31, 2012 or 2011 on our available-for-sale investment securities. We do not intend to sell these investments or it is more likely than not that we will not be required to sell these investments before recovery of their amortized cost bases, which may be at maturity.

As of March 31, 2012, the contractual maturities of our available-for-sale investment securities were as follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	\$69,713	\$69,744
Due after one year through five years	65,782	65,763
Due after five years through ten years	2,204	2,205
Due after ten years	346	348
Total fixed income securities	\$138,045	\$138,060

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 4—Accounts Receivable

Accounts receivable, net consisted of the following:

	March 31, 2012	December 31, 2011
	(In thousands)	
Overdrawn account balances due from cardholders	\$21,540	\$22,139
Reserve for uncollectible overdrawn accounts	(14,482)	(15,309)
Net overdrawn account balances due from cardholders	7,058	6,830
Trade receivables	10,380	5,574
Reserve for uncollectible trade receivables	(23)	(453)
Net trade receivables	10,357	5,121
Receivables due from card issuing banks	29,075	28,812
Other receivables	4,641	4,691
Accounts receivable, net	\$51,131	\$45,454

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

	Three Months Ended March 31, 2012	2011
	(In thousands)	
Balance, beginning of period	\$15,309	\$11,823
Provision for uncollectible overdrawn accounts:		
Fees	12,489	12,055
Purchase transactions	746	1,343
Charge-offs	(14,062)	(10,928)
Balance, end of period	\$14,482	\$14,293

## Note 5—Loans

The following tables presents total outstanding loans and a summary of the related payment status:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Purchased Credit-Impaired Loans	Total Outstanding
	(In thousands)						
March 31, 2012							
Real estate	\$569	\$—	\$—	\$569	\$4,024	\$503	\$5,096
Commercial	118	—	—	118	1,012	8	1,138
Installment	8	—	12	20	2,690	215	2,925
Total loans	\$695	\$—	\$12	\$707	\$7,726	\$726	\$9,159
Percentage of outstanding	7.59	% —	% 0.13	% 7.72	% 84.35	% 7.93	% 100.00

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 5—Loans (continued)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Purchased Credit-Impaired Loans	Total Outstanding
(In thousands)							
December 31, 2011							
Real estate	\$—	\$—	\$—	\$—	\$4,983	\$ 503	\$5,486
Commercial	2	—	—	2	1,371	44	1,417
Installment	—	—	—	—	2,881	252	3,133
Total loans	\$2	\$—	\$—	\$2	\$9,235	\$ 799	\$10,036

Percentage of outstanding	0.02	% —	% —	% 0.02	% 92.02	% 7.96	% 100.00	%
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## Nonperforming Loans

The loan balances past due 90 days or more in the table above are not accruing interest as they are classified as nonperforming. See Note 2—Summary of Significant Accounting Policies to the Consolidated Financial Statements of our 2011 Annual Report on Form 10-K for further information on the criteria for classification as nonperforming.

## Credit Quality Indicators

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

The tables below present our primary credit quality indicators related to our loan portfolio:

	Non-Classified (In thousands)	Classified
March 31, 2012		
Real estate	\$4,735	\$361
Commercial	1,130	8
Installment	2,784	141
Total loans	\$8,649	\$510
December 31, 2011		
Real estate	\$5,125	\$361
Commercial	1,407	10
Installment	2,982	151
Total loans	\$9,515	\$522

## Purchased Credit-Impaired Loans

The table below presents the remaining unpaid principal balance and carrying amount for purchased credit-impaired loans:

	March 31, 2012	December 31, 2011
(In thousands)		
Unpaid principal balance	\$1,321	\$1,506



Carrying value

726

799

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 5—Loans (continued)

The table below shows activity for the accretable yield on purchased credit-impaired loans:

	Three Months Ended March 31, 2012 (In thousands)
Accretable yield at beginning of period	\$99
Accretion	(25 )
Accretable yield at end of period	\$74

## Allowance for Loan Losses

As of March 31, 2012 and December 31, 2011, we did not establish an allowance for credit losses. We recorded our loan portfolio at fair value when acquired on December 8, 2011 in conjunction with our acquisition of Green Dot Bancorp and there have been no material changes in credit quality associated with the loan portfolio since the acquisition date.

## Note 6—Fair Value Measurements

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

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and how we measure fair value, see Note 3—Investment Securities to the Consolidated Financial Statements of our 2011 Annual Report on Form 10-K.

As of March 31, 2012 and December 31, 2011, our assets carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
	(In thousands)			
March 31, 2012				
Corporate bonds	\$—	\$33,197	\$—	\$33,197
Commercial paper	—	15,255	—	15,255
Negotiable certificate of deposit	—	3,500	—	3,500
U.S. treasury notes	—	42,845	—	42,845
Agency securities	—	35,840	—	35,840
Municipal bonds	—	4,826	—	4,826
Asset-backed securities	—	2,597	—	2,597
Total	\$—	\$138,060	\$—	\$138,060
December 31, 2011				
Corporate bonds	\$—	\$16,333	\$—	\$16,333
Commercial paper	—	4,999	—	4,999
Negotiable certificate of deposit	—	3,500	—	3,500
Agency securities	—	3,987	—	3,987
Municipal bonds	—	2,391	—	2,391
Total	\$—	\$31,210	\$—	\$31,210

## Note 7—Fair Value of Financial Instruments

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

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 7—Fair Value of Financial Instruments (continued)

## Short-term Financial Instruments

Our short-term financial instruments consist principally of unrestricted and restricted cash and cash equivalents, federal funds sold, and settlement assets and obligations. These financial instruments are short-term in nature, and, accordingly, we believe their carrying amounts approximate their fair values. Under the fair value hierarchy, cash and cash equivalents and settlement assets and obligations are classified as Level 1. Federal funds sold are classified as Level 2.

## Investment Securities

The fair values of investment securities have been derived using methodologies referenced in Note 6 – Fair Value Measurements. Under the fair value hierarchy, our investment securities are classified as Level 2.

## Loans

We determined the fair values of loans by discounting both principal and interest cash flows expected to be collected using a discount rate commensurate with the risk that we believe a market participant would consider in determining fair value. Under the fair value hierarchy, our loans are classified as Level 2 and Level 3.

## Deposits

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

Under the fair value hierarchy, our deposits are classified as Level 2.

## Fair Value of Financial Instruments

The carrying values and fair values of certain financial instruments that were not carried at fair value at March 31, 2012 and December 31, 2011 are presented in the table below.

	March 31, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In thousands)				
Financial Assets				
Loans to bank customers	\$9,159	\$9,058	\$10,036	\$10,036
Financial Liabilities				
Deposits	\$39,472	\$39,532	\$38,957	\$38,957

## Note 8—Goodwill

Changes in the carrying amount of goodwill consisted of the following:

	Three Months Ended March 31, 2012 (In thousands)
Balance, beginning of period	\$10,817
Acquisition of Loopt, Inc.	30,664
Balance, end of period	\$41,481

We have not completed the purchase price allocation for our acquisition of Loopt because of the proximity of the acquisition to the end of the quarter. The initial allocation of the purchase price to goodwill set forth in the table above was made using the information currently available. We may adjust this allocation after obtaining more information regarding, among other things, asset valuations, liabilities assumed, and revisions of preliminary estimates. The purchase price allocation will be finalized in 2012.



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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 9—Income Taxes

Income tax expense for the three-month periods ended March 31, 2012 and 2011 varied from the amount computed by applying the federal statutory income tax rate to income before income taxes. A reconciliation between the expected federal income tax expense using the federal statutory tax rate and our actual income tax expense was as follows:

	Three Months Ended March 31,		
	2012	2011	
U.S. federal statutory tax rate	35.0	% 35.0	%
State income taxes, net of federal benefit	1.6	1.4	
Other	1.8	2.0	
Effective tax rate	38.4	% 38.4	%

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, 2008 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 10—Employee Stock-Based Compensation

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

The following table summarizes stock options and restricted stock units granted:

	Three Months Ended March 31,	
	2012	2011
	(in thousands, except per share data)	
Stock options granted	506	107
Weighted-average exercise price	\$29.62	\$55.52
Weighted-average grant-date fair value	\$13.86	\$26.50
Restricted stock units granted	40	—
Weighted-average grant-date fair value	\$30.74	\$—

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

	Three Months Ended March 31,		
	2012	2011	
Risk-free interest rate	1.05	% 2.31	%
Expected term (life) of options (in years)	6.08	6.08	
Expected dividends	—	—	
Expected volatility	48.50	% 47.00	%

The total stock-based compensation expense recognized was \$3.5 million and \$1.9 million for the three-month periods ended March 31, 2012 and 2011, respectively. Total stock-based compensation expense includes amounts related to

awards of stock options and restricted stock units and purchases under our 2010 Employee Stock Purchase Plan.

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## GREEN DOT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

## (UNAUDITED)

## Note 11—Earnings per Common Share

The calculation of basic EPS and diluted EPS was as follows:

	Three Months Ended March 31,	
	2012	2011
	(In thousands, except per share data)	
Basic earnings per Class A common share		
Net income	\$17,116	\$12,701
Income attributable to preferred stock	(2,772	) —
Income attributable to other classes of common stock	(2,691	) (7,393
Net income allocated to Class A common stockholders	11,653	5,308
Weighted-average Class A shares issued and outstanding	28,839	17,525
Basic earnings per Class A common share	\$0.40	\$0.30
Diluted earnings per Class A common share		
Net income allocated to Class A common stockholders	\$11,653	\$5,308
Allocated earnings to participating securities, net of re-allocated earnings	2,718	7,143
Re-allocated earnings	(468	) (286
Diluted net income allocated to Class A common stockholders	13,903	12,165
Weighted-average Class A shares issued and outstanding	28,839	17,525
Dilutive potential common shares:		
Class B common stock	7,012	24,945
Stock options	—	3
Restricted stock units	7	—
Employee stock purchase plan	9	8
Diluted weighted-average Class A shares issued and outstanding	35,867	42,481
Diluted earnings per Class A common share	\$0.39	\$0.29
	Three Months Ended March 31,	
	2012	2011
	(In thousands, except per share data)	
Basic earnings per Class B common share		
Net income	\$17,116	\$12,701
Income attributable to preferred stock	(2,772	) —
Income attributable to other classes of common stock	(12,231	) (5,875
Net income allocated to Class B common stockholders	2,113	6,826
Weighted-average Class B shares issued and outstanding	5,230	22,537
Basic earnings per Class B common share	\$0.40	\$0.30
Diluted earnings per Class B common share		
Net income allocated to Class B common stockholders	\$2,113	\$6,826
Re-allocated earnings	605	317
Diluted net income allocated to Class B common stockholders	2,718	7,143
Weighted-average Class B shares issued and outstanding	5,230	22,537
Dilutive potential common shares:		
Stock options	1,782	2,408



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Diluted weighted-average Class B shares issued and outstanding	7,012	24,945
Diluted earnings per Class B common share	\$0.39	\$0.29

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 11—Earnings per Common Share (continued)

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 March 31,	
	2012	2011
	(In thousands)	
Class A common stock		
Options to purchase Class A common stock	596	65
Restricted stock units	4	—
Conversion of convertible preferred stock	6,859	
Total options and restricted stock units	7,459	65
Class B common stock		
Options to purchase Class B common stock	19	—
Conversion of convertible preferred stock	—	—
Total options and convertible preferred stock	19	—

## Note 12—Commitments and Contingencies

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

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

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

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

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

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GREEN DOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(UNAUDITED)

## Note 13—Significant Customer Concentration

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

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

	Three Months Ended March 31,		
	2012	2011	
Walmart	64	% 58	%
Three other largest retail distributors, as a group	20	% 17	%

Excluding stock-based retailer incentive compensation of \$3.2 million and \$5.9 million for the three-month periods ended March 31, 2012 and 2011, respectively, revenues derived from our products sold at our four largest retail distributors represented the following percentages of our total operating revenues:

	Three Months Ended March 31,		
	2012	2011	
Walmart	65	% 60	%
Three other largest retail distributors, as a group	20	% 16	%

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

	Three Months Ended March 31,		
	2012	2011	
Concentration of GPR cards activated (in units)	89	% 71	%
Concentration of sales of cash transfer products (in units)	90	% 91	%

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

	March 31, 2012	December 31, 2011	
Walmart	34	% 33	%
Three other largest retail distributors, as a group	36	% 39	%

At March 31, 2012 and December 31, 2011, 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.

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

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

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

Overview

Green Dot is a leading financial services company providing simple, low-cost and convenient money management solutions to a broad base of U.S. consumers. We believe that we are the leading provider of general purpose reloadable, or GPR, prepaid debit cards in the United States and that our Green Dot Network is the leading reload network for prepaid cards in the United States. We sell our cards and offer our reload services nationwide at approximately 60,000 retail store locations, which provide consumers convenient access to our products and services.

Financial Results

Total operating revenues for the three months ended March 31, 2012 were \$142.3 million compared to \$117.3 million for the three months ended March 31, 2011. Total operating revenues were favorably impacted by increases in card revenues and other fees, cash transfer revenues and interchange revenues and a decrease in the amount of stock-based retailer incentive compensation. These revenues increased primarily due to period-over-period growth in all of our key metrics described below. Our total operating revenues were adversely impacted the expiration and nonrenewal in October 2011 of our joint marketing and referral agreement with Intuit under which we established our TurboTax program.

Net income for the three months ended March 31, 2012 was \$17.1 million compared to \$12.7 million for the three months ended March 31, 2011. Net income grew 35% for the three months ended March 31, 2012, reflecting the total operating revenue growth described above and efficiency gains in processing expenses.

Key Metrics

We review a number of metrics to help us monitor the performance of, and identify trends affecting, our business. We believe the following measures are the primary indicators of our quarterly and annual performance.

Number of 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 2.23 million and 2.21 million GPR cards in the three-month periods ended March 31, 2012 and 2011, respectively. The number of new GPR card activations from repeat customers, or former GPR cardholders, in the same comparable periods were 0.8 million and 1.0 million, respectively. Excluding the impact of the discontinued TurboTax program, the increase was 23% from the first quarter of 2011 to the first quarter of fiscal 2012.

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 10.09 million and 7.98 million MoneyPak and POS swipe reload transactions for the three-month periods ended March 31, 2012 and 2011, 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 4.69 million and 4.28 million active cards

outstanding as of March 31, 2012 and 2011, respectively. Excluding the impact of the discontinued TurboTax program, the increase was 20% from the first quarter of 2011 to the first quarter of fiscal 2012.

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Gross Dollar Volume — represents the total dollar volume of funds loaded to our GPR card and reload products. Our gross dollar volume was \$4.8 billion and \$4.6 billion for the three-month periods ended March 31, 2012 and 2011, respectively. Excluding the impact of the discontinued TurboTax program, the increase was 33% from the first quarter of 2011 to the first quarter of fiscal 2012.

Key components of our results of operations

Operating Revenues

We classify our operating revenues into the following four categories:

Card Revenues and Other Fees — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on GPR cards to cardholders on a monthly basis pursuant to the terms and conditions in our cardholder agreements. We charge ATM fees to cardholders when they withdraw money at certain ATMs in accordance with the terms and conditions in our cardholder agreements. We charge new card fees when a consumer purchases a GPR or gift card in a retail store. Other revenues consist primarily of fees associated with optional products or services, which we generally offer to consumers during the card activation process. Optional products and services include providing a second card for an account, expediting delivery of the personalized GPR card that replaces the temporary card obtained at the retail store and upgrading a cardholder account to 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 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, consisting of over 20,000 nationwide ATMs as of December 2011.

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.

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





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### 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, online and in-store promotions. Advertising and marketing expenses are recognized as incurred and typically deliver a benefit over an extended period of time. For this reason, these expenses do not always track changes in our operating revenues. Our manufacturing and distribution costs vary primarily based on the number of GPR cards activated.

**Compensation and Benefits Expenses** — Compensation and benefits expenses represent the compensation and benefits that we provide to our employees and the payments we make to third-party contractors. While we have an in-house customer service function, we employ third-party contractors to conduct all call center operations, handle routine customer service inquiries and provide consulting support in the area of IT operations and elsewhere. Compensation and benefits expenses associated with our customer service and loss management functions generally vary in line with the size of our active card portfolio, while the expenses associated with other functions do not.

**Processing Expenses** — Processing expenses consist primarily of the fees charged to us by the 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

Reference is made to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no changes to our critical accounting policies and estimates during the three months ended March 31, 2012, except as noted in Note 2 — Summary of Significant Accounting Policies to the Consolidated Financial Statements included herein.

### Recent Accounting Pronouncements

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

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## Comparison of Three-Month Periods March 31, 2012 and 2011

## Operating Revenues

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

	Three Months Ended March 31, 2012		2011		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(in thousands, except percentages)					
Operating revenues:					
Card revenues and other fees	\$62,373	43.8	% \$54,324	46.3	%
Cash transfer revenues	39,643	27.9	31,149	26.6	
Interchange revenues	43,506	30.5	37,714	32.1	
Stock-based retailer incentive compensation	(3,190)	) (2.2	) (5,880	) (5.0	)
Total operating revenues	\$142,332	100.0	% \$117,307	100.0	%

**Card Revenues and Other Fees** — Card revenues and other fees totaled \$62.4 million for the three months ended March 31, 2012, an increase of \$8.1 million, or 15%, from the comparable period in 2011. The increase was primarily the result of an increase in monthly maintenance fee revenues, driven by period-over-period growth of 10% in the number of active cards in our portfolio. Card revenues and other fees also increased as a result of growth in new card fee revenues, which was driven by higher numbers of card activations from distribution channels in which we assess new card fees, mainly retail stores. The increases in card revenues and other fees were partially offset by a decrease in ATM fee revenues associated with the discontinuation of the TurboTax program, as cardholders under this program typically performed more ATM transactions than the rest of our active card base.

**Cash Transfer Revenues** — Cash transfer revenues totaled \$39.6 million for the three months ended March 31, 2012, an increase of \$8.5 million, or 27%, from the comparable period in 2011. The increase was primarily the result of period-over-period growth of 26% 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 \$43.5 million for the three months ended March 31, 2012, an increase of \$5.8 million, or 15%, from the comparable period in 2011. The increase was primarily the result of period-over-period growth of 10% 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 5% increase in gross dollar volume, which was driven by the factors discussed above under “Card Revenues and Other Fees.” The increase in interchange revenues was partially offset by the discontinuation of the TurboTax program, as the program had a favorable impact in the first quarter of 2011 but did not have an impact in the first quarter of 2012 in any material respect.

**Stock-based Retailer Incentive Compensation** — Our right to repurchase lapsed as to \$110,430 shares issued to Walmart during the three months ended March 31, 2012. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock, resulting in \$3.2 million of stock-based retailer incentive compensation, a decrease of \$2.7 million, or 46%, from the comparable period in 2011. The decrease was the result of a lower stock price in the three months ended March 31, 2012 compared with the corresponding period in 2011.

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## Operating Expenses

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

	Three Months Ended March 31, 2012		2011		
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues	
(in thousands, except percentages)					
Operating expenses:					
Sales and marketing expenses	\$52,572	36.9	% \$42,539	36.3	%
Compensation and benefits expenses	26,153	18.4	21,137	18.0	
Processing expenses	20,850	14.6	19,733	16.8	
Other general and administrative expenses	15,904	11.2	13,393	11.4	
Total operating expenses	\$115,479	81.1	% \$96,802	82.5	%

Sales and Marketing Expenses — Sales and marketing expenses totaled \$52.6 million for the three months ended March 31, 2012, an increase of \$10.1 million, or 24%, from the comparable period in 2011. The increase was primarily the result of increased numbers of GPR cards and cash transfers sold, compared with the corresponding period in 2011.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$26.2 million for the three months ended March 31, 2012, an increase of \$5.1 million, or 24%, from the comparable period in 2011. This increase was primarily the result of a \$5.4 million increase in employee compensation and benefits, which included a \$1.6 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 key growth initiatives, new product development and new sales efforts, and growth in our IT infrastructure and risk operations. The increase in employee compensation and benefits was partially offset by a \$0.3 million decrease in third-party contractor expenses. During the remainder of 2012, we expect to incur additional compensation and benefits expense associated with our acquisition of Loopt, Inc., or Loopt, including retention-based incentives of up to \$9.8 million, which we will recognize, beginning April 2012, on a straight-line basis through September 2013.

Processing Expenses — Processing expenses totaled \$20.9 million for the three months ended March 31, 2012, an increase of \$1.2 million, or 6%, from the comparable period in 2011. The increase was primarily the result of period-over-period growth of 10% in the number of active cards in our portfolio and 5% in gross dollar volume. Processing expenses were partially offset by an increase in volume incentives from the payment networks. While we expect processing expenses to be favorably impacted by the transition of our card issuing program with Columbus Bank and Trust Company to our subsidiary bank, which we expect will commence in the second half of 2012, there can be no assurance that our processing expenses will decline on a year-over-year basis in absolute dollars or as percentage of total operating revenues in 2012 because these expenses are subject to a variety of factors, many of which are outside our control, and the transition to our card issuing program may take longer than we currently expect.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$15.9 million for the three months ended March 31, 2012, an increase of \$2.5 million, or 19%, from the comparable period in 2011. The increase in other general and administrative expenses was primarily the result of a \$1.2 million increase in rent expense and a \$1.2 million increase in depreciation and amortization of property and equipment. The increase in rent expense was primarily due to additional rent expense associated with new corporate office space located in Pasadena, California, which will become our new headquarters facility. We took control of the office space in January 2012 to construct tenant improvements, and accordingly, we recorded rent expense beginning in January 2012. We expect to incur rent expense related to our new headquarters facility of approximately \$0.9 million in each of the second and third quarter of 2012, subject to partially offsetting benefits from tenant allowances.



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## Income Tax Expense

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

	Three Months Ended March 31,			
	2012		2011	
U.S. federal statutory tax rate	35.0	%	35.0	%
State income taxes, net of federal benefit	1.6		1.4	
Other	1.8		2.0	
Effective tax rate	38.4	%	38.4	%

Our income tax expense increased by \$2.8 million to \$10.7 million in the three months ended March 31, 2012 from the comparable period in 2011 as a result of an increase in income before income taxes.

## Capital Requirements for Bank Holding Companies

As of March 31, 2012 and December 31, 2011, we were categorized as well capitalized under the regulatory framework. There were no conditions or events since March 31, 2012 which management believes would have changed our category as well capitalized. Our actual and "well capitalized" amounts and ratios were as follows:

	Actual		Regulatory "well capitalized" minimum		
	Amount	Ratio	Amount	Ratio	
	(in thousands, except ratios)				
March 31, 2012					
Tier 1 leverage	\$223,503	56.6	% \$19,736	5.0	%
Tier 1 risk-based capital	223,503	74.8	% 13,410	6.0	%
Total risk-based capital	\$223,503	74.8	% \$29,863	10.0	%
December 31, 2011					
Tier 1 leverage	\$228,971	69.1	% \$16,578	5.0	%
Tier 1 risk-based capital	228,971	80.7	% 13,738	6.0	%
Total risk-based capital	\$228,971	80.7	% \$28,374	10.0	%

## Liquidity and Capital Resources

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

	Three Months Ended March 31,	
	2012	2011
(In thousands)		
Total cash provided by (used in)		
Operating activities	\$37,263	\$40,876
Investing activities	(145,447	) (18,537
Financing activities	2,371	2,894
Increase (decrease) in unrestricted cash and cash equivalents	\$(105,813	) \$25,233

In the three months ended March 31, 2012 and 2011, we financed our operations primarily through our cash flows from operations. At March 31, 2012, our primary source of liquidity was unrestricted cash and cash equivalents totaling \$117.6 million.

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



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cumulative perpetual preferred stock. No assurance can be given that additional financing will be available or that, if available, such financing can be obtained on terms favorable to our stockholders and us.

Cash Flows from Operating Activities

Our \$37.3 million of net cash provided by operating activities in the three months ended March 31, 2012 principally resulted from \$17.1 million of net income, adjusted for certain non-cash operating expenses of \$22.2 million. Our \$40.9 million of net cash provided by operating activities in the three months ended March 31, 2011 principally resulted from \$12.7 million of net income, adjusted for certain non-cash operating expenses of \$22.7 million.

Cash Flows from Investing Activities

Our \$145.4 million of net cash used in investing activities in the three months ended March 31, 2012 reflects purchases of available-for-sale investment securities, net of sales and maturities, of \$106.3 million and net payments to acquire Loopt for \$32.1 million. Our \$18.5 million of net cash provided by investing activities in the three months ended March 31, 2011 reflects purchases of investment securities of \$8.0 million, payments for acquisition of property and equipment of \$5.4 million and an increase in restricted cash of \$5.2 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 on our consolidated balance sheets as restricted cash.

Cash Flows from Financing Activities

Our \$2.4 million of net cash provided by financing activities in the three months ended March 31, 2012 was primarily the result of excess tax benefits of \$1.3 million and proceeds from the exercise of stock options under our employee stock purchase plan of \$0.6 million. Our \$2.9 million of net cash provided by financing activities for the three months ended March 31, 2011 was the result of excess tax benefits and proceeds from the exercise of stock options.

Commitments

We anticipate that we will continue to purchase property and equipment as necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of employees, the rate of change of computer hardware and software used in our business and our business outlook. In 2012, we expect to purchase furniture and equipment and make leasehold improvements to our new headquarters in Pasadena, California and we will continue to invest in our development of an in-house processing solution.

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

We may also be required to raise additional financing to complete future acquisitions

Contractual Obligations

There have been no material changes in our contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

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

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



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ITEM 4. Controls and Procedures

Disclosure controls and procedures — Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 13d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) at the end of the period covered by this report. Based on such evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that, at the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Change in internal control over financial reporting — There was no material change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the three months ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

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PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

On 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.

On February 8, 2012, a lawsuit was filed against us by TQP Development, LLC (“TQP”) in the United States District Court for the Eastern District of Texas. TQP alleges that we infringe U.S. Patent No. 5,412,730 entitled “Encrypted Data Transmission System Employing Means for Randomly Altering the Encryption Keys.” The lawsuit includes allegations bearing material relation to our products. TQP seeks a permanent injunction against the alleged infringement, compensatory damages, costs and attorney's fees. We believe we have meritorious defenses to TQP'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 Annual Report on Form 10-K filed with the SEC on February 29, 2012.

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 in our card revenues and other fees, cash transfer revenues and interchange revenues, collectively, was negative in the second and third quarters in each of the last two years. 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 tax refunds via direct deposit on our cards. We expect to experience similar patterns in our results of operations in 2012, with total operating revenues being higher during the first half of the year, as a result of a larger number of taxpayers electing to receive their tax refunds via direct deposit on our cards. In October 2011, our joint marketing and referral agreement with Intuit expired and was not renewed. Although Intuit has entered a new agreement to continue as a network acceptance member, our revenues attributable to Intuit will decline significantly in 2012 on a year-over-year basis and the impact of this change will be the greatest during the first half of 2012.

In the near term, our continued growth depends significantly on our ability, among other things, to attract new long-term users of our products, to expand our reload network and to increase our card revenues and other fees, cash transfer revenues and interchange revenues collectively 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.

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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 card revenues and other fees, cash transfer revenues and interchange revenues collectively through our various initiatives and strategies, we have experienced and will continue to experience an inevitable decline in growth rates as such revenues collectively 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.

The loss of operating revenues from Walmart and our three other largest retail distributors would adversely affect our business.

Most of our operating revenues are derived from prepaid financial services sold at our four largest retail distributors. As a percentage of total operating revenues, operating revenues derived from products and services sold at the store locations of Walmart and from products and services sold at the store locations of our three other largest retail distributors, as a group, were approximately 64% and 20%, respectively, in the three months ended March 31, 2012. We do not expect our 2012 operating revenues derived from products and services sold at Walmart stores to change significantly as a percentage of our total operating revenues from the percentage in the three months ended March 31, 2012, 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 Capital Retail Bank or us, GE Capital Retail Bank's or our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. Walmart also has the right to terminate its agreement prior to its expiration or renewal for a number of other specified reasons, including; a change by GE Capital Retail Bank in its card operating procedures that Walmart reasonably believes will have a material adverse effect on Walmart's operations; our inability or unwillingness to make Walmart MoneyCards reloadable outside of our reload network in the event that our reload network does not meet particular size requirements in the future; and in the event Walmart reasonably believes that it is reasonably possible, after the parties have explored and been unable to agree on any alternatives, that the Federal Reserve Board may determine that Walmart exercises a controlling influence over our management or policies. There can be no assurance that we will be able to continue our relationships with our largest retail distributors on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. Our operating revenues and operating results could suffer if, among other things, any of our retail distributors renegotiates, terminates or fails to renew, or to renew on similar or favorable terms, its agreement with us or otherwise chooses to modify the level of support it provides for our products.

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

Most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. Revenues from our retail distributors depend on a number of factors outside our control and may vary from period to period. Because we compete with many other providers of consumer products for placement and promotion of products in the stores of our retail distributors, our success depends on our retail distributors and their willingness to promote our products and services successfully. In general, our contracts with these third parties allow them to exercise significant discretion over the placement and promotion of our products in their stores, and they could give higher priority to the products and services of other companies. Accordingly, losing the support of our retail

distributors might limit or reduce the sales of our cards and MoneyPak reload product. Our operating revenues may also be negatively affected by our retail distributors' operational decisions. For example, if a retail distributor fails to train its cashiers to sell our products and services or implements changes in its systems that disrupt the integration between its systems and ours, we could experience a decline in our product sales. Even if our retail distributors actively and effectively promote our products and services, there can be no assurance that their efforts will result in growth of our operating revenues.

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

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

- the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;
- the timing and success of new product or service introductions by us or our competitors;
- seasonality in the purchase or use of our products and services;
- reductions in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;
- changes in the mix of retail distributors through which we sell our products and services;
- the timing of commencement, renegotiation or termination of relationships with significant retail distributors and network acceptance members;
- the timing of commencement of new initiatives that cause us to expand into new distribution channels, such as our public sector 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, including our investments in an in-house processing solution to replace the processing services provided by Total System Services, Inc.;
- 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., UniRush, LLC and other traditional banks, such as J.P. Morgan Chase & Co., that have recently entered the prepaid card market;
- reload network providers, such as Visa, Inc. (or Visa), The Western Union Company and MoneyGram International, Inc.; and
- prepaid card distributors, such as InComm and Blackhawk Network, Inc.

Some of these vendors compete with us in more than one of the vendor categories described above, while others are primarily focused in a single category. In addition, competitors in one category have worked or are working with competitors in other categories to compete with us. A portion of our cash transfer revenues is derived from reloads to cards managed by companies that compete with us as program managers. We also face actual and potential competition from retail distributors or from other companies, such as PayPal and Visa, that have decided or may in the future decide to compete, or compete more aggressively, in the prepaid financial services industry.

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



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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, particularly from GPR card providers that offer comparable GPR cards to certain consumer segments. If price competition materially intensifies or affects a greater number of our customer segments, 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.

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

We became a bank holding company in December 2011. As a bank holding company, we are subject to comprehensive supervision and examination by the Federal Reserve Board and must comply with applicable regulations and other commitments we have agreed to, including financial commitments in respect to minimum capital and leverage requirements. If we fail to comply with any of these requirements, we may become subject to formal or informal enforcement actions, proceedings, or investigations, which could result in regulatory orders, restrictions on our business operations or requirements to take corrective actions, which may, individually or in the aggregate, affect our results of operations and restrict our ability to grow. If we fail to comply with the applicable capital and leverage requirements, or if our subsidiary bank fails to comply with its applicable capital and leverage commitments, the Federal Reserve Board may limit our ability to pay dividends, or if we become less than adequately capitalized, require us to raise additional capital. In addition, as a bank holding company and a financial holding company, we are generally prohibited from engaging, directly or indirectly, in any activities other than those permissible for bank holding companies and financial holding companies. This restriction might limit our ability to pursue future business opportunities which we might otherwise consider but which might fall outside the scope of permissible activities.

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

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

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



Changes in laws and regulations governing the way our products and services are sold or in the way those laws and regulations are interpreted or enforced could adversely affect our ability to distribute our products and services and the cost of providing those products and services. If onerous regulatory requirements were imposed on the sale of our products and services, the requirements could lead to a loss of retail distributors, which, in turn, could materially and adversely impact our operations. In 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

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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, recently introduced federal legislation, such as the bill proposed by Senator Menendez, known as the Prepaid Card Consumer Protection Act of 2011, would limit the amount of fees, including monthly fees, that we would be able to charge and would impose operational requirements, such as closing and refunding certain dormant prepaid cards, which could decrease our operating revenues and increase our operating costs. Proposed legislation in New Jersey and Illinois could, if passed, also limit the types and amounts of fees that we would be able to charge, which could decrease our operating revenues. In addition, 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 the CFPB, which could potentially have 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.

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

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

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

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

We and the banks that issue our cards are subject to association rules that could subject us to a variety of fines or penalties that may be levied by the card associations or networks for acts or omissions by us or businesses that work with us, including card processors, such as Total 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 three months ended March 31, 2012, interchange revenues represented 30.5% of our total operating revenues, and we expect interchange revenues to continue to represent a significant percentage of our total operating revenues in the near term. The amount of interchange revenues that we earn is highly dependent on the interchange rates that the payment networks set and adjust from time to time. The enactment of the Dodd-Frank Act required the Federal Reserve Board

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to implement regulations that have substantially limited interchange fees for many issuers. While we believe the interchange rates that may be earned by us and our subsidiary bank are exempt from such limitations, in light of this legislation and recent attention generally on interchange rates in the United States, there can be no assurance that the interpretation or enforcement of interchange legislation or regulation will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by the payment networks, the banks that issue our cards or existing or future legislation, regulation or the interpretation or enforcement thereof, we would likely need to change our fee structure to compensate for lost interchange revenues. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention, and we could suffer reputational damage and become subject to greater regulatory scrutiny. We also might have to discontinue certain products or services. As a result, our operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

Our actual operating results may differ significantly from our guidance.

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

We rely on relationships with 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 Capital Retail Bank, formerly GE Money Bank, or Columbus Bank and Trust Company, a division of Synovus Bank. While we are in the process of transitioning our card issuing program with Columbus Bank and Trust Company to our subsidiary bank, Green Dot Bank, our existing relationships with these banks, particularly GE Capital Retail Bank, 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. Our reliance on third-party banking relationships will increase and we may need to establish new banking relationships if we are unable to successfully transition our card issuing program with Columbus Bank and Trust Company to our subsidiary bank, which has no experience with issuing our GPR cards, and may be unable to do so for the foreseeable future at the volume necessary to conduct our business. 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

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have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or, following its expiration in 2015, renew our agreements with GE Capital Retail Bank under terms at least as favorable to us as those existing before renewal.

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

Some services relating to our business, including fraud management and other customer verification services, transaction processing and settlement, card production and customer service, are outsourced to third-party vendors, such as Total System Services, Inc. for card processing and Genpact International, Inc. for call center services. We intend to migrate our card processing from Total System Services, Inc. to an in-house processing solution, but will continue to rely upon this vendor for some portion of our card processing for an extended period of time. It would be difficult to replace some of our third-party vendors, particularly Total System Services, Inc., in a timely manner if they were unwilling or unable to provide us with these services during the term of their agreements with us or if we are unable to successfully develop our in-house processing solution, 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 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. Furthermore, in an effort to counteract fraud involving our products and services, we may implement risk control mechanisms that could make it more difficult for legitimate customers to obtain and use our products and services, which would negatively impact our operating results.

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

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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 and false claims of credit building. 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, Integrated Technological Systems, Inc. filed a lawsuit against us, and in February 2012, TQP Development, LLC filed a lawsuit against us, in each case alleging that we infringe on one of its patents and is seeking a permanent injunction against the alleged infringement, compensatory damages, costs, and attorney's fees. While we believe we have meritorious defenses against these patent lawsuits, 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. 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, 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 patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We 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.

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We are exposed to losses from cardholder account overdrafts.

Our cardholders can incur charges in excess of the funds available in their accounts, and we may become liable for these overdrafts. While we decline authorization attempts for amounts that exceed the available balance in a cardholder's account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card's monthly maintenance fee, among other things, can result in overdrawn accounts. Maintenance fee assessments accounted for approximately 94% of aggregate overdrawn account balances in the three months ended March 31, 2012, as compared to approximately 90% in the three months ended March 31, 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 payment network-permitted timeframe but subsequent to our release of the authorization for that transaction, as permitted by card association rules. Under card association rules, we may be liable for the amount of the transaction even if the cardholder has made additional purchases in the intervening period and funds are no longer available on the card at the time the transaction is posted.

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

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

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

- increased regulatory and compliance requirements;
- regulatory restrictions on revenue streams of acquired businesses;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business to acquisition integration challenges;
- coordination of product, sales, marketing and program, and systems management functions;
- transition of the acquired company's users and customers onto our systems;
- retention of employees from the acquired company;
- 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 successfully integrate an acquired business or technology or otherwise address these difficulties and challenges or other problems encountered in connection with an acquisition, we might not realize the anticipated benefits of that acquisition, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally. To integrate acquired businesses, we must implement our technology systems in the acquired operations and integrate and manage the personnel of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests, and may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions.

To the extent we pay the consideration for any future acquisitions or investments in cash, it would reduce the amount of cash available to us for other purposes. Future acquisitions or investments could also result in dilutive

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issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, or impairment charges against goodwill on our balance sheet, any of which could harm our financial condition and negatively impact our stockholders.

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

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

We make significant investments in new products and services that may not be profitable.

Our growth depends on our ability to innovate by offering new, and adding value to our existing, product and service offerings. We will continue to make significant investments in research, development, and marketing for new products and services, including mobile products under development following our acquisition of Loopt, Inc. in March 2012 and banking products under development following our bank acquisition in December 2011. Investments in new products and services are speculative. Commercial success depends on many factors, including innovativeness, price and effective distribution and marketing. If customers do not perceive our new offerings as providing significant value, they may fail to accept our new products and services, which would negatively impact our operating revenues. We may not achieve significant operating revenues from new product and service investments for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and services may not be as high as the margins we have experienced in the past.

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 March 31, 2012, we had assets subject to settlement risk of \$34.6 million. Given the possibility of recurring volatility in global financial markets, the approaches we use to assess and monitor the creditworthiness of our retail distributors may be inadequate, and we may be unable to detect and take steps to mitigate an increased credit risk in a timely manner.

Economic downturns could result in settlement losses, whether or not directly related to our business. We are not insured against these risks. Significant settlement losses could have a material adverse effect on our business, results of operations and financial condition.

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

The electronic payments industry, including the prepaid financial services segment within that industry, depends heavily upon the overall level of consumer spending. The United States is currently facing challenging economic conditions and if these conditions remain uncertain or deteriorate further, we may experience a reduction in the

number of our cards that are purchased or reloaded, the number of transactions involving our cards and the use of our reload network and related services. A sustained reduction in the use of our products and related services, either as a result of a general reduction in consumer spending or as a result of a disproportionate reduction in the use of card-based payment systems, our business, results of operations and financial condition would be materially harmed.

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Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers. Our ability to provide reliable service to cardholders and other network participants depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our retail distributors, network acceptance members and third-party processors. Our business involves movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success depends upon the efficient and error-free handling of the money that is collected by our retail distributors and remitted to network acceptance members or the banks that issue our cards. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our retail distributors, our network acceptance members and third-party processors to process and facilitate these transactions in an efficient, uninterrupted and error-free manner. In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting our systems or processes, or those of our vendors, or an improper action by our employees, agents or third-party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. The measures we have taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful, and we may experience other problems unrelated to system failures. We may also experience software defects, development delays and installation difficulties, any of which could harm our business and reputation and expose us to potential liability and increased operating expenses. Some of our contracts with retail distributors, including our contract with Walmart, contain service level standards pertaining to the operation of our systems, and provide the retail distributor with the right to collect damages and potentially to terminate its contract with us for system downtime exceeding stated limits. If we face system interruptions or failures, our business interruption insurance may not be adequate to cover the losses or damages that we incur.

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

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

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

Our future success will depend, to a significant extent, on our ability to attract, integrate, retain and recognize key personnel, namely our management team and experienced sales, marketing and program and systems management personnel. Replacing departing key personnel can involve organizational disruption and uncertainty, as we experienced in connection with replacing Mark T. Troughton, our former President, Cards and Network, following his resignation in January 2012. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty in managing transitions and assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and systems management personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed.

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

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

- issuing additional shares of our Class A common stock or other equity securities;
- issuing debt securities; and
- borrowing funds under a credit facility.

We may not be able to raise needed cash in a timely basis on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our Class A common stock. In addition, if we were to raise cash through a debt financing, the terms of the financing might impose additional

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conditions or restrictions on our operations that could adversely affect our business. If we require new sources of financing but they are insufficient or unavailable, we would be required to modify our operating plans to take into account the limitations of available funding, which would harm our ability to maintain or grow our business.

The occurrence of catastrophic events could damage our facilities or the facilities of third parties on which we depend, which could force us to curtail our operations.

We and some of the third-party service providers on which we depend for various support functions, such as customer service and card processing, are vulnerable to damage from catastrophic events, such as power loss, natural disasters, terrorism and similar unforeseen events beyond our control. Our principal offices, for example, are situated in the foothills of southern California near known earthquake fault zones and areas of elevated wild fire danger. If any catastrophic event were to occur, our ability to operate our business could be seriously impaired, as we do not maintain redundant systems for critical business functions, such as finance and accounting. In addition, we might not have adequate insurance to cover our losses resulting from catastrophic events or other significant business interruptions. Any significant losses that are not recoverable under our insurance policies, as well as the damage to, or interruption of, our infrastructure and processes, could seriously impair our business and financial condition.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action, and could require us to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC.

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

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements.

Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board, the SEC, banking regulators and our independent registered public accounting firm) may also amend or even reverse their previous interpretations or positions on how various standards should be applied. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the need to revise and republish prior period financial statements.

**Risks Related to Ownership of Our Class A Common Stock**

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



In the recent past, stocks generally, and financial services company stocks in particular, have experienced high levels of volatility. The trading price of our Class A common stock has been highly volatile since our initial public offering and may continue to be subject to wide fluctuations. The trading price of our Class A common stock depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

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- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our Class A common stock;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- litigation and investigations or proceedings involving us, our industry or both or investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic conditions; and
- sales of shares of our Class A common stock by us or our stockholders.

In the past, many companies that have experienced volatility in the market price of their stock have become subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

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

Our Class B common stock has ten votes per share, our Class A common stock has one vote per share and our Series A convertible junior participating non-cumulative perpetual preferred stock has no voting power. Based upon beneficial ownership as of March 31, 2012, 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 61.2% of our outstanding voting stock, representing approximately 54.2% of the voting power of our outstanding capital stock. As a result, these stockholders are able to exercise a controlling influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our Class A common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

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

Our certificate of incorporation and bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to nominate directors for election to our board of directors and take other corporate actions. These provisions, among other things:

- provide our Class B common stock with disproportionate voting rights;
- provide for non-cumulative voting in the election of directors;
- provide for a classified board of directors;
- authorize our board of directors, without stockholder approval, to issue preferred stock with terms determined by our board of directors and to issue additional shares of our Class A and Class B common stock;
- limit the voting power of a holder, or group of affiliated holders, of more than 24.9% of our common stock to 14.9%;
-

provide that only our board of directors may set the number of directors constituting our board of directors or fill vacant directorships;

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prohibit stockholder action by written consent and limit who may call a special meeting of stockholders; and require advance notification of stockholder nominations for election to our board of directors and of stockholder proposals.

These and other provisions in our certificate of incorporation and bylaws, as well as provisions under Delaware law, could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our Class A common stock and result in the trading price of our Class A common stock being lower than it otherwise would be.

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

If securities analysts do not continue to publish research or reports about our business or if they publish negative evaluations of our Class A common stock, the trading price of our Class A common stock could decline.

We expect that the trading price for our Class A common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who currently cover us or our business downgrade their evaluations of our Class A common stock, the price of our Class A common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

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. 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.

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ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
2.1	Agreement and Plan of Merger dated March 8, 2012, by and among Green Dot Corporation, Circle Acquisition Corporation, Loopt, Inc. and Shareholder Representative Services LLC** (6)
10.1	First Amendment To Walmart MoneyCard Program Agreement dated as of January 12, 2012, (the “Tri-Party Agreement Amendment”) by and among Green Dot Corporation and Walmart Stores Texas L.P., Wal-Mart Louisiana, LLC, Wal-Mart Stores Arkansas, LLC, Wal-Mart Stores East, L.P., Wal-Mart Stores, Inc., and GE Money Bank. †(1)
10.2	Material Terms Amendment to Agreement for Services, dated as of January 19, 2012, and between Green Dot Corporation and Total System Services, Inc. †(2)
10.3	2012 Executive Officer Incentive Bonus Plan. (3)
10.4	Separation Agreement and Release of Claims, dated as of February 24, 2012, between the Registrant and Mark T. Troughton. (4)
10.5	Voting Agreement and Irrevocable Proxy, dated as of February 24, 2012, between the Registrant and Mark T. Troughton(5)
10.6	Modification Agreement, dated February 29, 2012, between the Registrant and CB&T, a division of Synovus Bank.
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\*

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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.

Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Green Dot Corporation \*\*hereby undertakes to furnish supplementary copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

Portions of this exhibit have been omitted pursuant to an order granting confidential treatment..

- (1) Exhibit 10.1 is incorporated by reference to Exhibit 10.10 filed with the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012.
- (2) Exhibit 10.2 is incorporated by reference to Exhibit 10.14 filed with the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012.
- (3) Exhibit 10.3 is incorporated by reference to Exhibit 10.22 filed with the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012.
- (4) Exhibit 10.4 is incorporated by reference to Exhibit 10.28 filed with the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012.
- (5) Exhibit 10.5 is incorporated by reference to Exhibit 10.29 filed with the Registrant's annual report on Form 10-K for the year ended December 31, 2011, filed with the Commission on February 29, 2012.
- (6) Exhibit 2.1 is incorporated by reference to Exhibit 2.01 filed with the Registrant's current report on Form 8-K, filed with the Commission on March 14, 2012.

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SIGNATURE

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

Green Dot Corporation

Date: May 10, 2012

By: /s/ John L. Keatley

Name: John L. Keatley

Title: Chief Financial Officer

(Authorized Officer and Principal Financial Officer)

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