GREEN DOT CORP
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from to

Commission file number 001-34819

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

Delaware (State or other jurisdiction of incorporation or organization)	95-4766827 (IRS Employer Identification No.)
3465 E. Foothill Blvd. Pasadena, California 91107 (Address of principal executive offices, including zip code)	(626) 765-2000 (Registrant's telephone number, including area code)

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

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 þ No o

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

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

There were 46,507,491 shares of Class A common stock, par value $.001 per share (which number does not include 5,368,986 shares of Class A common stock issuable upon conversion of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock) as of October 31, 2014.

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PART I
ITEM 1. Financial Statements
GREEN DOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (unaudited)	December 31, 2013
Assets	(In thousands, except par value)	
Current assets:		
Unrestricted cash and cash equivalents	$632,640	$423,498
Federal funds sold	488	123
Restricted cash	3,866	—
Investment securities available-for-sale, at fair value	136,157	116,159
Settlement assets	55,684	37,004
Accounts receivable, net	33,179	46,384
Prepaid expenses and other assets	28,009	27,332
Income tax receivable	5,186	15,573
Total current assets	895,209	666,073
Restricted cash	2,257	2,970
Investment securities, available-for-sale, at fair value	77,319	82,585
Accounts receivable, net	71	5,913
Loans to bank customers, net of allowance for loan losses of $435 and $464 as of September 30, 2014 and December 31, 2013, respectively	6,817	6,902
Prepaid expenses and other assets	8,444	1,081
Property and equipment, net	62,804	60,473
Deferred expenses	9,187	15,439
Net deferred tax assets	3,334	3,362
Goodwill and intangible assets	50,763	30,676
Total assets	$1,116,205	$875,474
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$23,275	$34,940
Deposits	441,860	219,580
Obligations to customers	72,137	65,449
Settlement obligations	3,118	4,839
Amounts due to card issuing banks for overdrawn accounts	846	49,930
Other accrued liabilities	51,647	35,878
Deferred revenue	12,985	24,517
Net deferred tax liabilities	3,710	3,716
Total current liabilities	609,578	438,849
Other accrued liabilities	31,130	34,076
Deferred revenue	225	300
Total liabilities	640,933	473,225
Stockholders' equity:		
Convertible Series A preferred stock, $0.001 par value (as converted): 10 shares authorized as of September 30, 2014 and December 31, 2013; 5 and 7 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	5	7

Class A common stock, $0.001 par value: 100,000 shares authorized as of September 30, 2014 and December 31, 2013; 40,290 and 37,729 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	40	38
Additional paid-in capital	228,710	199,251
Retained earnings	246,539	203,000
Accumulated other comprehensive loss	(22)	(47)
Total stockholders’ equity	475,272	402,249
Total liabilities and stockholders’ equity	$1,116,205	$875,474

See notes to unaudited consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	$58,948	$51,066	$188,007	$170,762
Cash transfer revenues	44,085	47,193	135,852	137,161
Interchange revenues	43,757	40,872	133,626	129,541
Stock-based retailer incentive compensation	(2,131)	(2,587)	(6,541)	(6,163)
Total operating revenues	144,659	136,544	450,944	431,301
Operating expenses:				
Sales and marketing expenses	55,599	52,042	173,042	159,899
Compensation and benefits expenses	31,487	32,343	88,665	95,297
Processing expenses	19,529	22,231	58,893	64,178
Other general and administrative expenses	24,716	21,954	71,624	63,259
Total operating expenses	131,331	128,570	392,224	382,633
Operating income	13,328	7,974	58,720	48,668
Interest income	982	800	2,998	2,474
Interest expense	(17)	(22)	(62)	(55)
Other income	6,369	—	6,369	—
Income before income taxes	20,662	8,752	68,025	51,087
Income tax expense	6,771	2,638	24,486	18,083
Net income	13,891	6,114	43,539	33,004
Income attributable to preferred stock	(1,636)	(958)	(5,587)	(5,232)
Net income allocated to common stockholders	$12,255	$5,156	$37,952	$27,772
Basic earnings per common share:	$0.30	$0.14	$0.96	$0.76
Diluted earnings per common share:	$0.30	$0.13	$0.95	$0.74
Basic weighted-average common shares issued and outstanding:	39,884	36,163	38,923	35,535
Diluted weighted-average common shares issued and outstanding:	40,461	37,771	39,709	36,844

See notes to unaudited consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Net income	$13,891	$6,114	$43,539	$33,004
Other comprehensive income				
Unrealized holding (losses) gains, net of tax	(65)	44	25	(95)
Comprehensive income	$13,826	$6,158	$43,564	$32,909

See notes to unaudited consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Operating activities		
Net income	$43,539	$33,004
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,180	19,906
Provision for uncollectible overdrawn accounts	26,234	38,164
Employee stock-based compensation	14,152	10,674
Stock-based retailer incentive compensation	6,541	6,163
Amortization of premium on available-for-sale investment securities	828	456
Realized gains on investment securities	(31)	(8)
Provision (recovery) for uncollectible trade receivables	1	(12)
Impairment of capitalized software	—	1,856
Deferred income tax expense	—	271
Excess tax benefits from exercise of options	(3,797)	(3,749)
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,426)	(39,832)
Prepaid expenses and other assets	(7,670)	5,676
Deferred expenses	6,252	5,564
Accounts payable and other accrued liabilities	(10,471)	11,350
Amounts due to card issuing banks for overdrawn accounts	(49,084)	1,536
Deferred revenue	(11,607)	(5,569)
Income tax receivable	14,182	7,543
Net cash provided by operating activities	46,823	92,993
Investing activities		
Purchases of available-for-sale investment securities	(161,852)	(214,638)
Proceeds from maturities of available-for-sale securities	106,506	114,975
Proceeds from sales of available-for-sale securities	39,866	46,663
Increase in restricted cash	(596)	(33)
Payments for acquisition of property and equipment	(23,798)	(26,912)
Net principal collections on loans	85	1,030
Acquisition, net of cash acquired	(14,860)	—
Net cash used in investing activities	(54,649)	(78,915)
Financing activities		
Proceeds from exercise of options	4,969	9,564
Excess tax benefits from exercise of options	3,797	3,749
Net increase (decrease) in deposits	222,280	(9,190)
Net (decrease) increase in obligations to customers	(13,713)	15,009
Net cash provided by financing activities	217,333	19,132
Net increase in unrestricted cash, cash equivalents, and federal funds sold	209,507	33,210
Unrestricted cash, cash equivalents, and federal funds sold, beginning of year	423,621	296,591

Unrestricted cash, cash equivalents, and federal funds sold, end of period	$633,128	$329,801
Cash paid for interest	$62	$7
Cash paid for income taxes	$10,337	$10,266

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) is a bank holding company with a mission to reinvent personal banking for the masses. Our prepaid products and services are available in more than 100,000 retail stores nationwide and online at Greendot.com. Our products include: Green Dot MasterCard and Visa-branded prepaid debit cards and several co-branded reloadable prepaid card programs, collectively referred to as our GPR cards; Visa-branded gift cards; our swipe reload and MoneyPak proprietary products, collectively referred to as our cash transfer products, which enable cash loading and transfer services through our Green Dot Network; and GoBank, an innovative checking account developed for use via mobile phones that is available at Walmart. The Green Dot Network enables consumers to use cash to reload our prepaid debit cards or to transfer cash to any of our Green Dot Network acceptance members, including competing prepaid card programs and other online accounts.

We market our products and services to banked, underbanked and unbanked consumers in the United States using distribution channels other than traditional bank branches, such as third-party retailer locations nationwide and the Internet. Our prepaid debit cards are issued by our wholly-owned subsidiary, Green Dot Bank and third-party issuing banks including The Bancorp Bank, Sunrise Banks, N.A., and prior to February 2014, GE Capital Retail Bank. We also have multi-year distribution arrangements with many large and medium-sized retailers, such as Walmart, Walgreens, CVS, Rite Aid, 7-Eleven, Kroger, Kmart, and Dollar Tree, and with various industry resellers, such as Blackhawk Network and Incomm. We refer to participating retailers collectively as our “retail distributors.”

We completed a business acquisition in May 2014 which was not material to our consolidated financial statements. The aggregate cash consideration paid, net of cash acquired, was $14.9 million. Of the total consideration transferred, our preliminary allocation to goodwill and acquired intangible assets is $3.4 million and $17.4 million, respectively. The intangible assets acquired will be amortized over their estimated useful lives of approximately 10 years.

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, 2013 for additional disclosures, including a summary of our significant accounting policies. There have been no changes to our significant accounting policies during the nine months ended September 30, 2014.

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal and recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for the nine months ended September 30, 2014 are not necessarily indicative of future results.

Recent Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-04, Receivables - Troubled Debt Restructurings by Creditors ("ASU 2014-04"), which intends to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate recognized. ASU 2014-04 is effective for annual periods, and interim periods within those annual periods beginning after December 15, 2014. We will adopt this standard effective January 1, 2015. Our adoption of ASU 2014-14 is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP.

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 2—Summary of Significant Accounting Policies (continued)
The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.
Note 3 — Investment Securities
Our available-for-sale investment securities were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
September 30, 2014				
Corporate bonds	$51,287	$44	$(6)	$51,325
Commercial paper	68,720	12	(1)	68,731
U.S. Treasury notes	11,701	13	—	11,714
Agency securities	8,248	5	—	8,253
Mortgage-backed securities	31,834	28	(138)	31,724
Municipal bonds	13,648	36	(22)	13,662
Asset-backed securities	28,065	10	(8)	28,067
Total investment securities	$213,503	$148	$(175)	$213,476
December 31, 2013				
Corporate bonds	$70,965	$45	$(13)	$70,997
Commercial paper	49,307	15	(1)	49,321
Negotiable certificate of deposit	4,400	3	—	4,403
U.S. Treasury notes	14,265	14	(1)	14,278
Agency securities	14,946	13	—	14,959
Mortgage-backed securities	4,169	—	(168)	4,001
Municipal bonds	19,017	28	(14)	19,031
Asset-backed securities	21,750	9	(5)	21,754
Total investment securities	$198,819	$127	$(202)	$198,744

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 3 — Investment Securities (continued)
As of September 30, 2014 and December 31, 2013, 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)					
September 30, 2014						
Corporate bonds	$11,652	$(6)	$—	$—	$11,652	$(6)
Commercial paper	8,590	(1)	—	—	8,590	(1)
Mortgage-backed securities	18,752	(72)	1,539	(66)	20,291	(138)
Municipal bonds	418	(22)	—	—	418	(22)
Asset-backed securities	12,571	(8)	—	—	$12,571	$(8)
Total investment securities	$51,983	$(109)	$1,539	$(66)	$53,522	$(175)
December 31, 2013						
Corporate bonds	$24,104	$(13)	$—	$—	$24,104	$(13)
Commercial paper	4,490	(1)	—	—	4,490	(1)
U.S. Treasury notes	5,212	(1)	—	—	5,212	(1)
Mortgage-backed securities	4,002	(168)	—	—	4,002	(168)
Municipal bonds	8,546	(14)	—	—	8,546	(14)
Asset-backed securities	11,797	(5)	—	—	11,797	(5)
Total investment securities	$58,151	$(202)	$—	$—	$58,151	$(202)

We did not record any other-than-temporary impairment losses during the three and nine months ended September 30, 2014 or 2013 on our available-for-sale investment securities. We do not intend to sell these investments and we have determined that it is more likely than not that we will not be required to sell these investments before recovery of their amortized cost bases, which may be at maturity.

As of September 30, 2014, 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	$136,098	$136,157
Due after one year through five years	17,966	17,992
Due after five years through ten years	341	344
Due after ten years	1,315	1,309
Mortgage and asset-backed securities	57,783	57,674
Total investment securities	$213,503	$213,476

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

Note 4—Accounts Receivable

Accounts receivable, net consisted of the following:

	September 30, 2014	December 31, 2013
	(In thousands)	
Overdrawn account balances due from cardholders	$13,338	$14,749
Reserve for uncollectible overdrawn accounts	(9,898)	(10,363)
Net overdrawn account balances due from cardholders	3,440	4,386
Trade receivables	5,230	4,302
Reserve for uncollectible trade receivables	(43)	(42)
Net trade receivables	5,187	4,260
Receivables due from card issuing banks	21,039	42,137
Other receivables	3,584	1,514
Accounts receivable, net	$33,250	$52,297

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Balance, beginning of period	$8,555	$13,249	$10,363	$15,677
Provision for uncollectible overdrawn accounts:				
Fees	8,613	9,240	23,016	36,396
Purchase transactions	1,562	369	3,218	1,768
Charge-offs	(8,832)	(12,205)	(26,699)	(43,188)
Balance, end of period	$9,898	$10,653	$9,898	$10,653

Note 5—Loans to Bank Customers

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

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Current or Less Than 30 Days Past Due	Total Outstanding
	(In thousands)					
September 30, 2014						
Real estate	$—	$—	$—	$—	$4,099	$4,099
Commercial	—	—	—	—	783	783
Installment	5	—	—	5	2,365	2,370
Total loans	$5	$—	$—	$5	$7,247	$7,252
Percentage of outstanding	0.1 %	— %	— %	0.1 %	99.9 %	100.0 %
December 31, 2013						
Real estate	$—	$—	$11	$11	$3,372	$3,383
Commercial	—	—	—	—	1,474	1,474
Installment	—	—	3	3	2,506	2,509
Total loans	$—	$—	$14	$14	$7,352	$7,366

Percentage of outstanding	— %	— %	0.2 %	0.2 %	99.8 %	100.0 %

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 5—Loans to Bank Customers (continued)
Nonperforming Loans
The following table presents the carrying value, gross of the related allowance for loan losses, of our nonperforming loans, other than purchased credit impaired, or PCI loans. See Note 2–Summary of Significant Accounting Policies to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2013 for further information on the criteria for classification as nonperforming.

	September 30, 2014	December 31, 2013
	(In thousands)	
Real estate	$55	$117
Commercial	43	106
Installment	103	250
Total loans	$201	$473

Credit Quality Indicators
We closely monitor and assess the credit quality and credit risk of our loan portfolio on an ongoing basis. We continuously review and update loan risk classifications. We evaluate our loans using non-classified or classified as the primary credit quality indicator. Classified loans are those loans that have demonstrated credit weakness where we believe there is a heightened risk of principal loss, including all impaired loans. Classified loans are generally internally categorized as substandard, doubtful or loss, consistent with regulatory guidelines.
The table below presents the carrying value, gross of the related allowance for loan losses, of our loans within the primary credit quality indicators related to our loan portfolio:

	September 30, 2014		December 31, 2013	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Real estate	$3,835	$264	$3,003	$380
Commercial	700	83	1,323	151
Installment	2,264	106	2,058	451
Total loans	$6,799	$453	$6,384	$982

Impaired Loans and Troubled Debt Restructurings
When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a Troubled Debt Restructuring, or TDR. Our TDR modifications involve an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk. The following table presents our impaired loans and loans that we modified as TDRs as of September 30, 2014 and December 31, 2013:

	September 30, 2014		December 31, 2013	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Real estate	$98	$55	$194	$117
Commercial	285	43	344	106
Installment	369	103	500	250

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 5—Loans to Bank Customers (continued)

Allowance for Loan Losses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Balance, beginning of period	$414	$460	$464	$475
Provision for loans	20	—	20	—
Loans charged off	(7)	—	(66)	(25)
Recoveries of loans previously charged off	8	4	17	14
Balance, end of period	$435	$464	$435	$464

Note 6—Employee Stock-Based Compensation

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

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

	Nine Months Ended September 30,	
	2014	2013
	(In thousands, except per share data)	
Stock options granted	106	1,708
Weighted-average exercise price	$20.92	$16.89
Weighted-average grant-date fair value	$10.75	$5.97
Restricted stock units granted	1,733	503
Weighted-average grant-date fair value	$19.27	$16.57

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

	Nine Months Ended September 30,	
	2014	2013
Risk-free interest rate	1.8 %	1.0 %
Expected term (life) of options (in years)	5.79	5.68
Expected dividends	—	—
Expected volatility	54.0 %	43.6 %

The total stock-based compensation expense recognized was $5.5 million and $14.2 million for the three and nine months ended September 30, 2014, respectively, and $4.2 million and $10.7 million for the three and nine months ended September 30, 2013, respectively. Total stock-based compensation expense includes amounts related to awards of stock options and restricted stock units and purchases under our 2010 Employee Stock Purchase Plan.

Note 7—Deposits

In February 2014, we completed the transition of all outstanding customer deposits associated with our GPR card program with GE Capital Retail Bank to Green Dot Bank. The total funds transferred to Green Dot Bank were approximately $260 million and are now classified as deposits on our consolidated balance sheet and are included as "GPR deposits" within non-interest bearing deposit accounts below. In conjunction with this transition, we made a payment of approximately $50 million to GE Capital Retail Bank to settle our liability associated with overdrawn cardholder account balances, which, as of December 31, 2013, was included in our consolidated balance sheet as "amounts due to card issuing banks for overdrawn accounts."

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 7—Deposits (continued)
Deposits were categorized as non-interest or interest-bearing deposits as follows:

	September 30, 2014	December 31, 2013
	(In thousands)	
Non-interest bearing deposit accounts		
GPR deposits	$410,083	$204,171
Other demand deposits	16,296	—
Total non-interest bearing deposit accounts	426,379	204,171
Interest-bearing deposit accounts		
Negotiable order of withdrawal (NOW)	1,343	1,401
Savings	6,669	6,410
Time deposits, denominations greater than or equal to $100	5,518	5,310
Time deposits, denominations less than $100	1,951	2,288
Total interest-bearing deposit accounts	15,481	15,409
Total deposits	$441,860	$219,580

The scheduled contractual maturities for total time deposits are presented in the table below:

	September 30, 2014
	(In thousands)
Due in 2014	$1,075
Due in 2015	4,040
Due in 2016	1,125
Due in 2017	771
Due in 2018	47
Thereafter	411
Total time deposits	$7,469

Note 8—Income Taxes
Income tax expense for the nine months ended September 30, 2014 and 2013 differs from the amount computed by applying the statutory federal income tax rate to income before income taxes. The sources and tax effects of the differences are as follows:

	Nine Months Ended September 30,			
	2014		2013	
U.S. federal statutory tax rate	35.0	%	35.0	%
State income taxes, net of federal tax benefit	2.0		1.8	
General business credits	(2.3	)	(3.2	)
Employee stock-based compensation	0.9		1.6	
Other	0.4		0.2	
Effective tax rate	36.0	%	35.4	%

The effective tax rate for the nine months ended September 30, 2014 and 2013 differs from the statutory federal income tax rate of 35% primarily due to state income taxes, net of federal tax benefit, general business credits and non-deductible employee stock based compensation. The increase in the effective tax rates for the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 is primarily attributable to the expiration of general business credits on December 31, 2013. Additionally, we recognized a discrete benefit in the nine months ended September 30, 2013 related to the reinstatement of 2012 general business credits.
We establish a valuation allowance when we consider it more-likely-than-not that some portion or all of the deferred tax assets will not be realized. As of September 30, 2014, we did not have a valuation allowance on any of our

deferred tax assets as we believed it was more-likely-than-not that we would realize the benefits of our deferred tax assets.

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Note 8—Income Taxes (continued)

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 five-months ended December 31, 2009 and the years ended December 31, 2010 and 2011 are currently under examination by the IRS. We remain subject to examination of our federal income tax return for the year ended December 31, 2012 and December 31, 2013. 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.

As of September 30, 2014, we have net operating loss carryforwards of approximately $29.7 million and $28.4 million for federal and state tax purposes, respectively, which will be available to offset future income. If not used, these carryforwards will expire between 2025 and 2031. In addition, we have state business tax credits of approximately $1.2 million that will expire between 2028 and 2033 and other state business tax credits of approximately $1.1 million that can be carried forward indefinitely. Certain limitations may be placed on net operating loss carryforwards as a result of changes in control as defined in Section 382 of the Internal Revenue Code. In the event a change in control occurs, it will have the effect of limiting the annual usage of the operating loss carryforwards.

As of September 30, 2014 and 2013, we had a liability of $4.8 million and $2.8 million, respectively, for unrecognized tax benefits related to various federal and state income tax matters excluding interest, penalties and related tax benefits. The reconciliation of the beginning unrecognized tax benefits balance to the ending balance is as follows:

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Beginning balance	$3,724	$1,481
Increases related to positions taken during prior years	—	500
Increases related to positions taken during the current year	1,074	866
Ending balance	$4,798	$2,847
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	$4,798	$2,847

We recognized accrued interest and penalties related to unrecognized tax benefits as of September 30, 2014 of approximately $0.3 million. We did not have accrued interest or penalties related to unrecognized tax benefits as of September 30, 2013.

Note 9—Stockholders' Equity

Non-Employee Stock-Based Payments

On March 3, 2009, we entered into a sales and marketing agreement with a third party that contained a contingent warrant feature. The warrant provided the third party with an option to purchase 3,426,765 shares of our common stock at a per share price of $23.70 if certain sales volume or revenue targets were achieved. A further 856,691 shares could have become eligible for purchase under the warrant had either of these targets been achieved and additional specified marketing and promotional activities had taken place.

The warrant expired on March 3, 2014 as the third-party did not achieve the specified volume or revenue targets.

Convertible Preferred Stock

During the nine months ended September 30, 2014, 1,491 shares of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock converted into 1,491,000 shares of Class A Common Stock.

Note 10—Earnings per Common Share

In August 2013, the issued and outstanding shares of our Class B Common Stock declined to less than 10% of the aggregate number of issued and outstanding shares of our Class A Common Stock and Class B Common Stock. Pursuant to the terms of Article V of our Certificate of Incorporation, the issued and outstanding shares of our Class B common stock automatically converted into shares of our Class A common stock. Following this automatic conversion, there is now only a single class of our common stock outstanding. For the three and nine months ended

September 30, 2013, we grouped the components of Class B common stock basic earnings per common share, or EPS, and diluted

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Note 10—Earnings per Common Share (continued)
EPS with Class A common stock, as if they were one class, to conform to the current period presentation. This regrouping did not impact EPS previously reported in this period.
The calculation of basic and diluted EPS was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share data)			
Basic earnings per Class A common share				
Net income	$13,891	$6,114	$43,539	$33,004
Income attributable to preferred stock	(1,636)	(958)	(5,587)	(5,232)
Income attributable to common stock subject to repurchase	(99)	(107)	(420)	(669)
Net income allocated to Class A common stockholders	$12,156	$5,049	$37,532	$27,103
Weighted-average Class A shares issued and outstanding	39,884	36,163	38,923	35,535
Basic earnings per Class A common share	$0.30	$0.14	$0.96	$0.76
Diluted earnings per Class A common share				
Net income allocated to Class A common stockholders	$12,156	$5,049	$37,532	$27,103
Re-allocated earnings	22	50	103	137
Diluted net income allocated to Class A common stockholders	12,178	5,428	37,635	27,240
Weighted-average Class A shares issued and outstanding	39,884	36,163	38,923	35,535
Dilutive potential common shares:				
Stock options	418	1,333	582	1,104
Restricted stock units	145	254	187	195
Employee stock purchase plan	14	21	17	10
Diluted weighted-average Class A shares issued and outstanding	40,461	37,771	39,709	36,844
Diluted earnings per Class A common share	$0.30	$0.13	$0.95	$0.74

As of September 30, 2014, 257,622 shares of Class A common stock issued to Walmart were subject to our repurchase right. Basic and diluted EPS for these shares were the same as basic and diluted EPS for our Class A common stock for the three and nine months ended September 30, 2014 and September 30, 2013.
For the three and nine months ended September 30, 2013, we excluded from the computation of basic EPS all shares issuable under an unvested warrant to purchase 4,283,456 shares of our Class A common stock, as the related performance conditions had not been satisfied.
For the periods presented, we excluded all shares of convertible preferred stock and certain stock options outstanding, which could potentially dilute basic EPS in the future, from the computation of diluted EPS as their effect was anti-dilutive. The following table shows the weighted-average number of anti-dilutive shares excluded from the diluted EPS calculation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Class A common stock				
Options to purchase Class A common stock	676	351	622	975
Restricted stock units	4	—	21	15

Conversion of convertible preferred stock	5,369	6,859	5,795	6,859
Total options, restricted stock units and convertible preferred stock	6,049	7,210	6,438	7,849

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 11—Fair Value Measurements
Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.
We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and how we measure fair value, see Note 2–Summary of Significant Accounting Policies to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2013.
As of September 30, 2014 and December 31, 2013, our assets carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
September 30, 2014	(In thousands)			
Corporate bonds		$51,325		$51,325
Commercial paper		68,731		68,731
U.S. Treasury notes		11,714		11,714
Agency securities		8,253		8,253
Mortgage-backed securities		31,724		31,724
Municipal bonds		13,662		13,662
Asset-backed securities		28,067		28,067
Total	$—	$213,476	$—	$213,476
December 31, 2013				
Corporate bonds	$—	$70,997	$—	$70,997
Commercial paper	—	49,321	—	49,321
Negotiable certificate of deposit	—	4,403	—	4,403
U.S. Treasury notes	—	14,278	—	14,278
Agency securities	—	14,959	—	14,959
Mortgage-backed securities	—	4,001	—	4,001
Municipal bonds	—	19,031	—	19,031
Asset-backed securities	—	21,754	—	21,754
Total	$—	$198,744	$—	$198,744

We based the fair value of our fixed income securities held as of September 30, 2014 and December 31, 2013 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets during the three and nine months ended September 30, 2014 or 2013.
Note 12—Fair Value of Financial Instruments
The following describes the valuation technique for determining the fair value of financial instruments, whether or not such instruments are carried at fair value on our consolidated balance sheets.
Short-term Financial Instruments
Our short-term financial instruments consist principally of unrestricted and restricted cash and cash equivalents, federal funds sold, settlement assets and obligations, and obligations to customers. These financial instruments are short-term in nature, and, accordingly, we believe their carrying amounts approximate their fair values. Under the fair value hierarchy, these instruments are classified as Level 1.
Investment Securities
The fair values of investment securities have been derived using methodologies referenced in Note 2–Summary of Significant Accounting Policies to the Consolidated Financial Statements of our Annual Report on Form 10-K for the

year ended December 31, 2013. Under the fair value hierarchy, our investment securities are classified as Level 2.

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GREEN DOT CORPORATION
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Note 12—Fair Value of Financial Instruments (continued)
Loans
We determined the fair values of loans by discounting both principal and interest cash flows expected to be collected using a discount rate commensurate with the risk that we believe a market participant would consider in determining fair value. Under the fair value hierarchy, our loans are classified as Level 3.
Deposits
The fair value of demand and interest checking deposits and savings deposits is the amount payable on demand at the reporting date. We determined the fair value of time deposits by discounting expected future cash flows using market-derived rates based on our market yields on certificates of deposit, by maturity, at the measurement date. Under the fair value hierarchy, our deposits are classified as Level 2.
Fair Value of Financial Instruments
The carrying values and fair values of certain financial instruments that were not carried at fair value, excluding short-term financial instruments for which the carrying value approximates fair value, at September 30, 2014 and December 31, 2013 are presented in the table below.

	September 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Financial Assets				
Loans to bank customers, net of allowance	$6,817	$5,400	$6,902	$5,926
Financial Liabilities				
Deposits	$441,860	$441,807	$219,580	$219,534

Note 13—Commitments and Contingencies
We monitor the laws of all 50 states to identify state laws or regulations that apply (or may apply) to our products and services. 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.
During the three months ended September 30, 2014, we received net cash proceeds of $6.4 million in connection with the settlement of a lawsuit. We recorded this settlement, net of legal costs incurred in connection with the litigation, as other income on our consolidated statement of operations.
From time to time we enter into contracts containing provisions that contingently require us to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) contracts with our card issuing banks, under which we are responsible to them for any unrecovered overdrafts on cardholders' accounts; (ii) certain real estate leases, under which we may be required to indemnify property owners for environmental and other liabilities, and other claims arising from our use of the premises; (iii) certain agreements with our officers, directors, and employees, under which we may be required to indemnify these persons for liabilities arising out of their relationship with us; and (iv) contracts under which we may be required to indemnify our retail distributors, suppliers, vendors and other parties with whom we have contracts against claims arising from certain of our actions, omissions, violations of law and/or infringement of patents, trademarks, copyrights and/or other intellectual property rights.

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GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Note 13—Commitments and Contingencies (continued)
Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. With the exception of overdrafts on cardholders' accounts, historically, we have not been required to make payments under these and similar contingent obligations, and no liabilities have been recorded for these obligations in our consolidated balance sheets.

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

Note 14—Significant Customer Concentration
A credit concentration may exist if customers are involved in similar industries, economic sectors, and geographic regions. Our retail distributors operate in similar economic sectors but diverse domestic geographic regions. The loss of a significant retail distributor could have a material adverse effect upon our card sales, profitability, and revenue growth.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Walmart	51%	62%	55%	65%
Three other largest retail distributors, as a group	24%	22%	22%	22%

Excluding stock-based retailer incentive compensation of $2.1 million and $2.6 million for the three months ended September 30, 2014 and 2013, respectively, and $6.5 million and $6.2 million for the nine months ended September 30, 2014 and 2013, respectively, revenues derived from our products sold at our four largest retail distributors represented the following percentages of our total operating revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Walmart	52%	63%	56%	65%
Three other largest retail distributors, as a group	23%	22%	22%	21%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Concentration of GPR cards activated (in units)	70%	83%	72%	84%
Concentration of sales of cash transfer products (in units)	82%	87%	82%	87%

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

	September 30, 2014	December 31, 2013
Walmart	51%	34%
Three other largest retail distributors, as a group	28%	39%

Other concentrations
At December 31, 2013, the customer funds underlying the Walmart co-branded GPR cards were held by GE Capital Retail Bank. These funds were held in trust for the benefit of the customers, and we had no legal rights to the customer funds. Additionally, we had receivables due from GE Capital Retail Bank that were included in accounts receivable, net, on our consolidated balance sheets.

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Note 15—Subsequent Events
Credit Facility
In October 2014, we entered into a $225.0 million credit agreement ("Credit Agreement") with Bank of America, N.A., as an administrative agent, Wells Fargo Bank, National Association, and the other lenders party thereto. The Credit Agreement provides for 1) a $75.0 million five-year revolving facility ("Revolving Facility") and 2) a five-year $150.0 million term loan facility ("Term Facility"). The Credit Agreement also includes an accordion feature that, subject to securing additional commitments from existing lenders or new lending institutions, will allow us to increase the aggregate amount of these facilities by up to an additional $50.0 million. We drew the entire Term Facility on October 23, 2014, and used the proceeds to finance our acquisition of Santa Barbara Tax Products Group ("TPG"), discussed below. We expect to use the proceeds of any borrowings under the Revolving Facility for working capital and other general corporate purposes, subject to the terms and conditions set forth in the Credit Agreement.
At our election, loans made under the Credit Agreement bear interest at 1) a LIBOR rate (the “LIBOR Rate") or 2) a base rate determined by reference to the highest of (a) the Bank of America prime rate, (b) the United States federal funds rate plus 0.50% and (c) a daily rate equal to one-month LIBOR rate plus 1.0% (the “Base Rate"), plus in either case an applicable margin. The applicable margin for borrowings depends on our total leverage ratio and varies from 2.50% to 3.00% for LIBOR Rate loans and 1.50% to 2.00% for Base Rate loans.
We also pay a commitment fee, which varies from 0.30% to 0.40% per annum on the actual daily unused portions of the Revolving Facility. Letter of credit fees are payable in respect of outstanding letters of credit at a rate per annum equal to the applicable margin for LIBOR Rate loans.
The Credit Agreement requires us to comply with certain non-financial and financial covenants, including maintaining certain fixed charge and leverage ratios, as defined by the agreement.
The Revolving Facility matures, the commitments thereunder terminate, and all amounts then outstanding thereunder are payable on October 23, 2019. Quarterly principal payments of $5,625,000 are payable on the loans under the Term Facility. The loans made under the Term Facility mature and all amounts then outstanding thereunder are payable on October 23, 2019.
Consummation of Merger
On October 23, 2014, we completed our acquisition of TPG, a provider of integrated tax refund processing and settlement services. Additionally, TPG's services are integrated into the offerings of the nation's leading tax software companies, which enables TPG to serve nearly 25,000 independent tax preparers and accountants nationwide. This transaction, which was accounted for as a business combination, will allow us to expand into TPG's core customer segment by adding tax refund processing services for millions of tax filers through distribution partnerships with many of America’s largest and best known tax preparation companies and thousands of independent tax preparers.
In connection with the acquisition, we paid approximately $339.1 million in cash and stock. We financed the transaction with $205.0 million in cash, including $150.0 million of our Term Facility and approximately 6.1 million shares of our Class A common stock at a closing price of $21.86. Additionally, the transaction terms include a potential $80.0 million cash earn-out payable to the former owners of TPG based on TPG meeting certain pre-determined performance targets over the next three years.
Given the timing of the close of this acquisition, we are currently in the process of valuing the assets acquired and liabilities assumed. As a result, we are not yet able to provide the amounts to be recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed and other related disclosures. We will include this and other related information in our 2014 Annual Report on Form 10-K.

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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," "st "assumes," variations of such words and similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under "Part II, Item 1A. Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

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

Overview

Green Dot Corporation is a technology-centric, pro-consumer bank holding company with a mission to reinvent personal banking for the masses. We believe that we are the largest provider of prepaid debit card products and prepaid card reloading services in the United States, as well as a leader in mobile banking with our GoBank mobile bank account offering, an innovative checking account developed for use via smartphones and other mobile devices. Our products are available to consumers at more than 100,000 retailers nationwide and the Internet. Our products and services include Green Dot-branded and co-branded GPR cards, Visa-branded gift cards, reload services through our Green Dot Network, through retailers' specially-enabled POS devices or using our MoneyPak product, and GoBank.

Financial Results and Trends

Total operating revenues for the three and nine months ended September 30, 2014 were \$144.7 million and \$450.9 million, respectively, compared to \$136.5 million and \$431.3 million for the three and nine months ended September 30, 2013, respectively. During the three and nine months ended September 30, 2014, total operating revenues were favorably impacted by increases in card revenues and other fees and interchange revenues. Card revenues and other fees increased primarily due to higher volume of monthly maintenance fees and new card fee revenues. Interchange revenues increased primarily due to period-over-period growth in purchase volume, as described below. During the three and nine months ended September 30, 2014, total operating revenues were offset by a decrease in cash transfer revenues primarily due to period-over-period growth in the number of fee-free cash transfers, a shift in volume to lower priced cash transfer products and our continued transition away from our MoneyPak PIN product method of cash reloads, as discussed further below.

Total operating expenses for the three and nine months ended September 30, 2014 were \$131.3 million and \$392.2 million, respectively, compared to \$128.6 million and \$382.6 million for the three and nine months ended September 30, 2013, respectively. Total operating expenses were adversely impacted by increases in sales and marketing expenses and other general and administrative expenses and partially offset by reductions in compensation and benefits expenses and processing expenses. Sales and marketing expenses increased primarily due to increased sales commissions and costs associated with manufacturing and distributing card packages, partially offset by declines in advertising costs. Other general and administrative expenses increased primarily due to increases in transaction losses, depreciation and amortization of property and equipment and professional services. Compensation and benefits expenses decreased primarily due to an increase to our overall capitalization rate associated with internally-developed software, a decline in retention-based incentives associated with our acquisition of Loopt, and a decrease in third-party contractor expenses. Processing expense decreased primarily due to a reduction in fees paid to third-party issuing banks.

During the three months ended September 30, 2014, we received net cash proceeds of $6.4 million in connection with the settlement of a lawsuit. We recorded this settlement, net of the reimbursement of legal and other costs incurred in connection with the litigation, as other income on our consolidated statements of operations.
Income tax expense for the three and nine months ended September 30, 2014 was $6.8 million and $24.5 million, respectively, compared to $2.6 million and $18.1 million for the three and nine months ended September 30, 2013,

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respectively. Income tax expense increased primarily as a result of generating higher taxable income and a higher effective tax rate.

We expect to continue to incur additional sales and marketing expenses during the fourth quarter of 2014 related to manufacturing and distribution costs associated with new products, including the continued roll-out of our GoBank product at Walmart and the seasonal impact of sales of our gift card products. We recognize the cost of manufacturing and distributing new card packages over the related sales period, the cost of merchandising those new card packages as incurred, and the cost of personalized GPR cards, when activated, over the average card lifetime, as defined within our Annual Report on Form 10-K for the year ended December 31, 2013 under "Critical Accounting Policies and Estimates." We have introduced a number of new products and partnerships over the last several quarters, and expect we will continue to do so during the fourth quarter of 2014, such as the roll-out of GoBank at Walmart. It follows that we expect our sales and marketing expenses to increase on a year-over-year basis in absolute dollars and as a percentage of revenues during the fourth quarter of 2014.

We also expect to incur general and administrative expenses during the fourth quarter of 2014 related to our acquisition of Santa Barbara Tax Products Group ("TPG"), as discussed in Note 15 — Subsequent Events to the Consolidated Financial Statements included herein. These additional costs relate primarily to transaction costs of approximately $4.0 million and the absorption of approximately $6.0 million in operating expenses associated with TPG's business.

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 revenues.

Number of Cash Transfers — represents the total number of POS swipe reload transactions and MoneyPaks that we sell through our retail distributors in a specified period. We sold 11.64 million and 11.43 million POS swipe reload transactions and MoneyPaks in the three months ended September 30, 2014 and 2013, respectively, and 34.97 million and 34.00 million POS swipe reload transactions and MoneyPaks in the nine months ended September 30, 2014 and 2013, 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 4.62 million and 4.41 million active cards outstanding as of September 30, 2014 and 2013, respectively.

Gross Dollar Volume — represents the total dollar volume of funds loaded to our GPR card and reload products. Our gross dollar volume was $4.6 billion and $4.4 billion for the three months ended September 30, 2014 and 2013, respectively, and $14.5 billion and $13.9 billion for the nine months ended September 30, 2014 and 2013, respectively. We review this metric in conjunction with purchase volume and give greater weight to our purchase volume when assessing our operating performance because we believe it is a better indicator of interchange revenue performance.

Purchase Volume — represents the total dollar volume of purchase transactions made by customers using our GPR and gift card products. This metric excludes the dollar volume of ATM withdrawals. Our purchase volume was $3.3 billion for both the three months ended September 30, 2014 and 2013, and $10.6 billion and $10.1 billion for the nine months ended September 30, 2014 and 2013, respectively.

Key components of our results of operations

Operating Revenues

We classify our operating revenues into the following four categories:

Card Revenues and Other Fees — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on GPR and GoBank 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, gift, or GoBank 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 and expediting delivery of the personalized GPR card that replaces the temporary card obtained at the retail store.

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, co-branded and GoBank 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

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ATM transactions and the average fee per ATM transaction. The average fee per ATM transaction depends upon the mix of Green Dot-branded, co-branded and GoBank 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. Our aggregate new card fee revenues vary based upon the number of GPR and GoBank 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 between Green Dot-branded and co-branded products and between GPR cards, gift cards and GoBank cards.

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

Interchange Revenues — We earn interchange revenues from fees remitted by the merchant's bank, which are based on rates established by the payment networks, when customers make purchase transactions using our products. Our aggregate interchange revenues vary based primarily on the number of active cards in our portfolio, the average transactional volume of the active cards in our portfolio and on the mix of cardholder purchases between those using signature identification technologies and those using personal identification numbers and the corresponding rates.

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. 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. 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. We record the fair value recognized as stock-based retailer incentive compensation, a contra-revenue component of our total operating revenues.

Operating Expenses

We classify our operating expenses into the following four categories:

Sales and Marketing Expenses — Sales and marketing expenses consist primarily of the sales commissions we pay to our retail distributors and brokers, advertising and marketing expenses, and the costs of manufacturing and distributing card packages, placards and promotional materials to our retail distributors and personalized GPR and GoBank 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, GoBank accounts and cash transfers sold at their respective retail stores and, in certain cases, by the revenue generated from the ongoing use of those cards. We incur advertising and marketing expenses for television, online and in-store promotions. Advertising and marketing expenses are recognized as incurred and typically deliver a benefit over an extended period of time. For this reason, these expenses do not always track changes in our operating revenues. Our manufacturing and distribution costs vary primarily based on the number of GPR and GoBank cards activated.

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

Processing Expenses — Processing expenses consist primarily of the fees charged to us by the payment networks, which process transactions for us, the third-party card processor that maintains the records of our customers' accounts and processes transaction authorizations and postings for us, and the third-party banks that issue our prepaid cards. These costs generally vary based on the total number of active cards in our portfolio and gross dollar volume.

Other General and Administrative Expenses — Other general and administrative expenses consist primarily of professional service fees, telephone and communication costs, depreciation and amortization of our property and equipment and intangible assets, transaction losses (losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud), rent and utilities, and insurance. We incur telephone and

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communication costs primarily from customers contacting us through our toll-free telephone numbers. These costs vary with the total number of active cards in our portfolio, as do losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud. Costs associated with professional services, depreciation and amortization of our property and equipment and intangible assets, 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.

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, 2013. There have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2014.

Recent Accounting Pronouncements

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

Comparison of Three-Month Periods Ended September 30, 2014 and 2013

Operating Revenues

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

	Three Months Ended September 30,			
	2014		2013	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	$58,948	40.7 %	$51,066	37.4 %
Cash transfer revenues	44,085	30.5	47,193	34.6
Interchange revenues	43,757	30.3	40,872	29.9
Stock-based retailer incentive compensation	(2,131)	(1.5)	(2,587)	(1.9)
Total operating revenues	$144,659	100.0 %	$136,544	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled $58.9 million for the three months ended September 30, 2014, an increase of $7.8 million, or 15.3%, from the comparable period in 2013. The increase was primarily due to higher monthly maintenance fees of $3.6 million, driven by growth in the number of active cards and a greater proportion of these fees from our Green Dot-branded products, which have a higher average maintenance fee, and an increase of $0.7 million in new card fee revenues driven by period-over-period growth in new cards activated. Card revenues and other fees also increased approximately $2.0 million due to other fee revenues.

Cash Transfer Revenues — Cash transfer revenues totaled $44.1 million for the three months ended September 30, 2014, a decrease of $3.1 million, or 6.6%, from the comparable period in 2013. Although we had period-over-period growth of 1.8% in the number of cash transfers sold, we had a greater number of fee-free cash transfers as compared to the same period in 2013. The increase in fee-free cash transfers was driven by customer adoption of one of our recently introduced products at Walmart. Additionally, cash transfer revenues declined as our volumes shift towards sales of lower-priced products at certain retail distributors, particularly within the dollar store vertical. During the fourth quarter of 2014, we expect to continue phasing out the PIN reload method of adding cash to prepaid cards. As such, the current MoneyPak PIN reload product will be fully replaced by other methods of card reloading by the end of the first quarter of 2015. While we do not expect the phase-out of the MoneyPak PIN product to have any material impact to our revenues in the fourth quarter of 2014, we are unable to predict the long-term impact to our reloading customer behavior, if any, and corresponding revenues in 2015 and successive years.

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Interchange Revenues — Interchange revenues totaled $43.8 million for the three months ended September 30, 2014, an increase of $3.0 million, or 7.4%, from the comparable period in 2013. The increase was primarily the result of period-over-period growth of 2.7% in purchase volume and an increase in the effective interchange rate we earned on purchase volume for the current three month period.

Stock-based Retailer Incentive Compensation — Stock-based retailer incentive compensation was $2.1 million for the three months ended September 30, 2014, a decrease of $0.5 million or 19% with the comparable period in 2013. Our right to repurchase lapsed as to 110,430 shares issued to Walmart during the three months ended September 30, 2014. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock. The decrease in the stock-based retailer incentive compensation is the result of a decrease in the average stock price in the three months ended September 30, 2014 compared with the corresponding period in 2013.

Operating Expenses

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

	Three Months Ended September 30,					
	2014			2013		
	Amount	% of Total Operating Revenues		Amount	% of Total Operating Revenues	
	(In thousands, except percentages)					
Operating expenses:						
Sales and marketing expenses	$55,599	38.4	%	$52,042	38.1	%
Compensation and benefits expenses	31,487	21.8		32,343	23.7	
Processing expenses	19,529	13.5		22,231	16.3	
Other general and administrative expenses	24,716	17.1		21,954	16.1	
Total operating expenses	$131,331	90.7	%	$128,570	94.2	%

Sales and Marketing Expenses — Sales and marketing expenses totaled $55.6 million for the three months ended September 30, 2014, an increase of $3.6 million, or 6.9% from the comparable period in 2013. This increase was primarily the result of an increase of $4.1 million in sales commissions and $0.9 million of additional costs of manufacturing and distributing card packages, driven by period-over-period growth in new cards activated and a 1.8% increase in the number of cash transfers sold. The cost of manufacturing and distributing card packages also increased as we rolled out new products, including our GoBank product at Walmart. Sales and marketing expenses were partially offset by a decrease in overall advertising expenses of $1.6 million. For the remainder of 2014, we expect to incur additional sales and marketing expenses, as discussed above under "Financial Results and Trends."

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $31.5 million for the three months ended September 30, 2014, a decrease of $0.9 million or 2.8% from the comparable period in 2013. This decrease was primarily the result of an increase to our overall capitalization rate associated with internally-developed software and the absence of retention-based incentives associated with our acquisition of Loopt for the three months ended September 30, 2014, which had favorable impacts of $4.3 million and $1.9 million, respectively. These favorable impacts were offset by an increase of $4.9 million in employee salaries and related benefits due to growth in employee headcount.

Processing Expenses — Processing expenses totaled $19.5 million for the three months ended September 30, 2014, a decrease of $2.7 million or 12.2% from the comparable period in 2013. This decrease was primarily due to our reduction of $2.4 million in fees paid to third-party issuing banks as we transitioned our card issuing program with GE Capital Retail Bank to Green Dot Bank in February 2014. While we expect processing expenses to be favorably impacted by the February 2014 transition of our card issuing program with GE Capital Retail Bank to Green Dot Bank, there can be no assurance that our processing expenses will decline on a year-over-year basis in absolute dollars or as percentage of total operating revenues for the remainder of 2014 or in future years because these expenses are subject to a variety of factors, many of which are outside our control.

Other General and Administrative Expenses — Other general and administrative expenses totaled $24.7 million for the three months ended September 30, 2014, an increase of $2.7 million or 12.3%, from the comparable period in 2013. This increase was primarily the result of a $1.7 million increase in depreciation and amortization of property and equipment associated with our investment in technology to support our new product launches and infrastructure, a $1.7 million increase in professional services, primarily associated with our acquisition of TPG, and a $1.2 million increase in our provision for uncollectible overdrawn accounts related to purchase transactions. These declines were

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partially offset by decreases of $1.2 million in transaction losses, primarily associated with customer disputed transactions, and $0.7 million in impairment charges associated with internally-developed software.

Income Tax Expense

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

	Three Months Ended September 30,	
	2014	2013
U.S. federal statutory tax rate	35.0 %	35.0 %
State income taxes, net of federal tax benefit	2.7	1.8
General business credits	(5.5)	(6.2)
Employee stock-based compensation	0.5	(0.4)
Other	0.1	0.2
Effective tax rate	32.8 %	30.4 %

Our income tax expense increased by $4.1 million to $6.8 million in the three months ended September 30, 2014 from the comparable period in 2013 due to an increase in income before income taxes over those same periods and an increase in our effective tax rate by 2.4 percentage points from 30.4% to 32.8% primarily due to a decrease in general business credits. In the third quarter of 2013, we recognized general business credits related to California's enterprise zone program for tax years 2013 and prior.

Comparison of Nine-Month Periods Ended September 30, 2014 and 2013

Operating Revenues

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

	Nine Months Ended September 30,			
	2014		2013	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
	(In thousands, except percentages)			
Operating revenues:				
Card revenues and other fees	$188,007	41.7 %	$170,762	39.6 %
Cash transfer revenues	135,852	30.1	137,161	31.8
Interchange revenues	133,626	29.7	129,541	30.0
Stock-based retailer incentive compensation	(6,541)	(1.5)	(6,163)	(1.4)
Total operating revenues	$450,944	100.0 %	$431,301	100.0 %

Card Revenues and Other Fees — Card revenues and other fees totaled $188.0 million for the nine months ended September 30, 2014, an increase of $17.2 million, or 10.1%, from the comparable period in 2013. The increase was primarily the result of higher monthly maintenance fees of $11.8 million, driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2014 and 2013—Operating Revenues—Card Revenues and Other Fees" as well as $5.6 million related to additional fee revenue from the removal of courtesy fee waivers on certain accounts during the first quarter of 2014. Card revenues and other fees also increased due to an increase of $3.8 million in new card fee revenues, driven by period-over-period growth in new cards activated.

Cash Transfer Revenues — Cash transfer revenues totaled $135.9 million for the nine months ended September 30, 2014, a decrease of $1.3 million, or 0.9%, from the comparable period in 2013. Although we had period-over-period growth of 2.9% in the number of cash transfers sold, cash transfer revenues decreased as a result of the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2014 and 2013—Operating Revenues—Cash Transfer Revenues."

Interchange Revenues — Interchange revenues totaled $133.6 million for the nine months ended September 30, 2014, an increase of $4.1 million, or 3.2%, from the comparable period in 2013. The increase was primarily the result of period-over-period growth of 5.3% in purchase volume, partially offset by a decline in the overall effective interchange rate we earned on purchase volume during the nine month comparable periods. This rate decline was the result of a shift in the mix of payment networks and payment types.

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Stock-based Retailer Incentive Compensation — Stock-based retailer incentive compensation was $6.5 million for the nine months ended September 30, 2014, an increase of $0.3 million, or 4.8%, from the comparable period in 2013. Our right to repurchase lapsed as to 331,290 shares issued to Walmart during the nine months ended September 30, 2014. We recognized the fair value of the shares using the then-current fair market value of our Class A common stock. The increase was the result of a higher average stock price in the nine months ended September 30, 2014 compared with the corresponding period in 2013.

Operating Expenses

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

	Nine Months Ended September 30,					
	2014			2013		
	Amount	% of Total Operating Revenues		Amount	% of Total Operating Revenues	
	(In thousands, except percentages)					
Operating expenses:						
Sales and marketing expenses	$173,042	38.3	%	$159,899	36.6	%
Compensation and benefits expenses	88,665	18.7		95,297	21.4	
Processing expenses	58,893	12.9		64,178	14.2	
Other general and administrative expenses	71,624	15.3		63,200	14.0	
Total operating expenses	$392,224	85.2	%	$382,574	86.2	%

Sales and Marketing Expenses — Sales and marketing expenses totaled $173.0 million for the nine months ended September 30, 2014, an increase of $13.1 million, or 8.2% from the comparable period in 2013. This increase was driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2014 and 2013—Operating Expenses—Sales and Marketing Expenses."

Compensation and Benefits Expenses — Compensation and benefits expenses totaled $88.7 million for the nine months ended September 30, 2014, a decrease of $6.6 million or 6.9% from the comparable period in 2013. This decrease was driven by the factors discussed above under “Comparison of Three-Month Periods Ended September 30, 2014 and 2013—Operating Expenses—Compensation and Benefits Expenses."

Processing Expenses — Processing expenses totaled $58.9 million for the nine months ended September 30, 2014, a decrease of $5.3 million or 8.3% from the comparable period in 2013. The decrease was driven by the factor discussed above under “Comparison of Three-Month Periods Ended September 30, 2014 and 2013—Operating Expenses—Processing Expenses." This decrease was partially offset by an increase of $2.6 million in processing and payment network costs, driven by period-over-period growth of 5.3% in purchase volume.

Other General and Administrative Expenses — Other general and administrative expenses totaled $71.6 million for the nine months ended September 30, 2014, an increase of $8.4 million or 13.3%, from the comparable period in 2013. This increase was primarily the result of a $5.9 million increase in transaction losses, primarily associated with customer disputed transactions, and a $4.3 million increase in depreciation and amortization of property and equipment associated with our investment in technology to support our new product launches and infrastructure. These increases were partially offset by a decrease of $1.2 million in telecommunication expenses and $1.8 million in impairment charges for the comparable periods.

Income Tax Expense

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

	Nine Months Ended September 30,			
	2014		2013	
U.S. federal statutory tax rate	35.0	%	35.0	%
State income taxes, net of federal tax benefit	2.0		1.8	
General business credits	(2.3	)	(3.2	)
Employee stock-based compensation	0.9		1.6	

Other	0.4	0.2
Effective tax rate	36.0 %	35.4 %

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Our income tax expense increased by $6.4 million to $24.5 million for the nine months ended September 30, 2014 from the comparable period in 2013 due to an increase in income before income taxes and a slight increase in our effective tax rate by 0.6% from 35.4% to 36.0%.

Liquidity and Capital Resources

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

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Total cash provided by (used in)		
Operating activities	$46,823	$92,993
Investing activities	(54,649)	(78,915)
Financing activities	217,333	19,132
Increase in unrestricted cash and cash equivalents and federal funds sold	$209,507	$33,210

For the nine months ended September 30, 2014 and 2013, we financed our operations primarily through our cash flows from operations. At September 30, 2014, our primary source of liquidity was unrestricted cash and cash equivalents totaling $632.6 million. We also consider our $213.5 million of available-for-sale investment securities to be highly-liquid instruments.

In connection with our acquisition of TPG in October 2014, we entered into a $225.0 million credit agreement ("Credit Agreement"). Refer to Note 15 — Subsequent Events to the Consolidated Financial Statements included herein for additional information. Under the Credit Agreement, we are required to make quarterly principal payments of $5.6 million as well as interest payments. The Credit Agreement includes a revolving facility that we expect to use for working capital and other general corporate purposes. Under the Credit Agreement, we are subject to customary affirmative and negative covenants, including leverage and coverage ratios.

We use trend and variance analysis as well as our detailed budgets and forecasts to project future cash needs, making adjustments to the projections when needed. We believe that our current unrestricted cash and cash equivalents, cash flows from operations and our available revolving credit facility will be sufficient to meet our working capital, capital expenditure and debt service requirements for at least the next year.

Cash Flows from Operating Activities

Our $46.8 million of net cash provided by operating activities in the nine months ended September 30, 2014 was primarily the result of $43.5 million of net income, adjusted for certain non-cash operating expenses of $45.7 million, decreases in accounts receivable and income tax receivable of $19.8 million and $14.2 million, respectively, partially offset by a $49.1 million payment to GE Capital Retail Bank to settle our liability associated with overdrawn cardholder account balances and a decrease in accounts payable and other accrued liabilities of $10.5 million. Our $93.0 million of net cash provided by operating activities in the nine months ended September 30, 2013 principally resulted from $33.0 million of net income, adjusted for certain non-cash operating expenses of $39.3 million, partially offset by a decrease in prepaid expenses and other assets and income tax receivable of $5.7 million and $7.5 million, respectively.

Cash Flows from Investing Activities

Our $54.6 million of net cash used in investing activities in the nine months ended September 30, 2014 reflects payments for acquisition of property and equipment, purchases of available-for-sale investment securities, net of sales and maturities, and a business acquisition of $23.8 million, $15.5 million and $14.9 million, respectively. Our $78.9 million of net cash used in investing activities in the nine months ended September 30, 2013 reflects purchases of available-for-sale investment securities, net of sales and maturities, of $53.0 million and payments for acquisition of property and equipment of $26.9 million.

Cash Flows from Financing Activities

Our $217.3 million of net cash provided by financing activities in the nine months ended September 30, 2014 was primarily the result of a $222.3 million increase in customer deposits and $5.0 million in proceeds from the exercise of stock options, partially offset by a decrease in obligations to customers of $13.7 million. The increase in customer deposits is primarily a result of the transition of all outstanding customer deposits associated with our GPR card program with GE Capital Retail Bank to Green Dot Bank. Our $19.1 million of net cash provided by financing activities in the nine months ended September 30, 2013 was primarily the result of increases in obligations to customers and customer deposits of $15.0 million and $9.2 million, respectively.

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Commitments

We anticipate that we will continue to purchase property and equipment as necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of employees, the rate of change of computer hardware and software used in our business and our business outlook. During 2014, we intend to continue to invest in new products and programs, new features for our existing products and IT infrastructure to scale and operate effectively to meet our strategic objectives. We expect the level of our total investment in capital expenditures for 2014 to be similar to the level of investment in 2013.

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 raise additional financing to complete future acquisitions.

Additionally, we anticipate making ongoing cash contributions to our subsidiary bank, Green Dot Bank, to maintain its capital, leverage and other financial commitments at or above levels we have agreed to with our regulators. For example, in connection with the transition of our card issuing program with GE Capital Retail Bank to Green Dot Bank in February 2014, we contributed approximately $50 million in capital to Green Dot Bank. Additionally, our investment securities may act as short-term collateral to Green Dot Bank to satisfy any requirements associated with its legal lending limit.

Contractual Obligations

Other than the Credit Agreement discussed above, 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, 2013.

Off-Balance Sheet Arrangements

As of and for the nine months ended September 30, 2014 and 2013, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Capital Requirements for Bank Holding Companies

As of September 30, 2014 and December 31, 2013, we were categorized as well capitalized under the regulatory framework. There were no conditions or events since September 30, 2014 which management believes would have changed our category as well capitalized. Our actual and the "well capitalized" minimum amounts and ratios were as follows:

	Actual			Regulatory "well capitalized" minimum		
	Amount	Ratio		Amount	Ratio	
	(In thousands, except ratios)					
September 30, 2014						
Tier 1 leverage	$423,359	40.0	%	$52,931	5.0	%
Tier 1 capital	423,359	107.4		23,646	6.0	
Total risk-based capital	423,794	107.5		39,410	10.0	
December 31, 2013						
Tier 1 leverage	$370,476	45.8	%	$40,418	5.0	%
Tier 1 risk-based capital	370,476	100.8		22,057	6.0	
Total risk-based capital	370,476	100.8		36,762	10.0	

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential for economic losses from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. We believe that we have limited exposure to risks associated with changes in foreign currency exchange rates and equity prices. We have no significant foreign operations, and we do not transact business in foreign currencies.

Interest rate risk

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.

As of October 23, 2014, we had $150.0 million term loan outstanding under our $225.0 million credit agreement ("Credit Agreement"). Refer to Note 15 — Subsequent Events to the Consolidated Financial Statements included herein for additional information. Our term loan and revolving credit facility are, and are expected to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Although any short-term borrowings under our revolving credit facility would likely be insensitive to interest rate changes, interest expense on short-term borrowings will increase and decrease with changes in the underlying short-term interest rates. Assuming our Credit Agreement is drawn up to its maximum borrowing capacity of $225.0 million, based on the applicable LIBOR and margin in effect as of October 23, 2014, each quarter point of change in interest rates would result in a $0.6 million change in our annual interest expense. We actively monitor our interest rate exposure and our objective is to reduce, where we deem appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates. In order to accomplish this objective, we may enter into derivative financial instruments, such as forward contracts and interest rate hedge contracts only to the extent necessary to manage our exposure. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Credit and liquidity risk

We also 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 September 30, 2014 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

ITEM 1. Legal Proceedings

Refer to Note 13 — Commitments and Contingencies to the Consolidated Financial Statements included herein for information regarding our legal proceedings.

ITEM 1A. Risk Factors

Risks Related to Our Business

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

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

- the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;
- the timing and volume of tax refunds processed by us, including the impact of any general delays in tax refund disbursements from the U.S. Treasury;
- 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;
- changes in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;
- changes in the mix of retail distributors through which we sell our products and services;
- the timing of commencement, renegotiation or termination of relationships with significant retail distributors and network acceptance members;
- the timing of commencement of new product development and initiatives that cause us to expand into new distribution channels, and the timing of costs of existing product roll-outs to new retail distributors and the length of time we must invest in those new products, channels or retail distributors before they generate material operating revenues;
- our ability to obtain timely regulatory approval for strategic initiatives;
- changes in our or our competitors' pricing policies or sales terms;
- significant changes in our risk policies and controls;
- the timing of costs related to fraud losses;
- 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 capital expenditures and operating costs related to the maintenance and expansion of our business, operations and infrastructure, including our investments in a processing solution to eventually replace our current processing services provider;
- accounting charges related to impairment of capitalized internal-use software, intangible assets and goodwill;
- our ability to control costs, including third-party service provider costs and sales and marketing expenses in an increasingly competitive market;
- volatility in the trading price of our Class A common stock, which may lead to higher or lower stock-based compensation expenses or fluctuations in the valuations of vesting equity that cause variations in our stock-based retailer incentive compensation; and
- changes in the political or regulatory environment affecting the banking or electronic payments industries generally or the industries for prepaid financial services and tax refund processing specifically.

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

Historically, 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 55% and 22%, respectively, in the nine months ended September 30, 2014. We do not expect the percentage of our 2014 total operating revenues derived from products and services sold at Walmart stores to change significantly from the percentage in the nine months ended September 30, 2014, 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. Although in 2015, on the whole, we expect this concentration to diminish as we begin offering tax refund-related products and services following our acquisition of Santa Barbara Tax Products Group ("TPG"), we expect the concentration within our prepaid financial products and services business to continue. 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. 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 2015 and 2017, 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 us, 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 us in our 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 base of tax preparation partners is concentrated and our success depends in part on our ability to retain existing partners.

If one or more of our major tax preparation partners were to substantially reduce or stop offering our products or services to their customers, our business, operating results and financial condition would be harmed. Historically, substantially all of TPG’s revenues have come from sales through a relatively small number of tax preparation firms. We do not have long-term contractual commitments from any of our current tax preparation partners and our tax preparation partners may elect to not renew their contracts with us with little or no advance notice. As a result, we cannot be assured that any of our current tax preparation partners will continue to partner with us past the terms in their current agreements. A termination with certain tax preparation partners that provide commercial tax preparation software would result in lost revenue and the loss of the ability to secure future relationships with new or existing tax preparation firms that use such tax software.

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

Historically, most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. Following our acquisition of TPG, we expect this dependence on retail distributors to continue and expand to include tax preparation partners as the TPG business is largely derived from products and services sold through retail tax preparation businesses and income tax software providers. Revenues from our retail distributors and tax preparation partners depend on a number of factors outside our control and may vary from period to period. Because we compete with many other providers of products, including competing prepaid cards and tax refund-related financial services, for placement and promotion of products in the stores of our retail distributors or in conjunction with the delivery of tax preparation services by our tax preparation providers, our success depends on our retail distributors and tax preparation partners and their willingness to promote our products and services successfully. In general, our

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contracts with these third parties allow them to exercise significant discretion over the placement and promotion of our products and services; they could give higher priority to the products and services of other companies for a variety of reasons. Accordingly, losing the support of our retail distributors and tax preparation partners might limit or reduce the sales of our products and services. Our operating revenues may also be negatively affected by our operational decisions by our retail distributors and tax preparation partners. For example, if a retail distributor reduces shelf space for our products or implements changes in its systems that disrupt the integration between its systems and ours, our product sales could be reduced or decline. Similarly, for a variety of reasons, many of our tax preparation partners that provide commercial income tax preparation software offer their customers several types for tax refund-related products and services, including those of our competitors. Even if our retail distributors and tax preparation partners actively and effectively promote our products and services, there can be no assurance that their efforts will maintain or result in growth of our operating revenues.

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

Our operating revenues for a particular period are difficult to predict. Our card revenues and other fees, cash transfer revenues and interchange revenues, collectively, may decline or grow at a slower rate than in prior periods. Our ability to meet financial expectations could be adversely affected by various factors, such as the failure of our supply chain management efforts to increase revenues, delays in implementing revenue growth activities or the failure of these activities to generate expected revenues, and increased competition within the store locations of many of our largest retail distributors. We also expect seasonal or other influences, including potential fluctuations in stock-based retailer incentive compensation caused by variations in our stock price, to cause sequential quarterly fluctuations and periodic declines in our operating revenues, operating income and net income. For example, in recent years, our results from the provision of prepaid financial services for each of the first two quarters have been favorably affected by large numbers of taxpayers electing to receive their tax refunds via direct deposit on our cards, which caused our operating revenues to be typically higher in the first halves of those years than they were in the corresponding second halves of those years. We expect these seasonal trends to be amplified in 2015 as a result of our provision of tax refund-related products and services following our acquisition of TPG. Historically, TPG’s business was highly seasonal as it generated the substantial majority of its revenue in the first quarter, and substantially all of its revenue in the first half, of each calendar year.

Our ability to increase card usage and cardholder retention and to attract new long-term users of our products can also have a significant effect on our operating revenues. We may be unable to generate increases in card usage, cardholder retention or attract new long-term users of our products for a number of reasons, including our inability to maintain our existing distribution channels, the failure of our cardholder retention and usage incentives to influence cardholder behavior, our inability to predict accurately consumer preferences or industry changes and to modify our products and services on a timely basis in response thereto, and our inability to produce new features and services that appeal to existing and prospective cardholders. As a result, our operating results could vary materially from period to period based on the degree to which we are successful in increasing card usage and cardholder attention and attracting long-term users of our products.

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

The industries in which we compete are highly competitive, which could adversely affect our operating results.

The prepaid financial services and tax refund services industries are highly competitive and includes a variety of financial and non-financial services vendors. We expect competition in the markets in which we compete will continue and intensify as existing competitors and new market entrants have brought to market products and services that are substantially similar to ours or that may be perceived to be better than ours. For example, Walmart, Walgreens and CVS have been selling competitive products at their store locations for the past several years. Competition is expected to negatively impact our operating revenues, excluding stock-based retailer incentive compensation, and could cause us to compete on the basis of price or increase our sales and marketing expenses, any of which would likely seriously harm our business, operating results and financial condition. Our current and potential competitors include:

- prepaid card program managers, such as American Express, First Data, Total Systems Services, AccountNow, and other traditional banks, such as J.P. Morgan Chase, that have entered the prepaid card market;
- reload network providers, such as Visa, Western Union and MoneyGram;
- prepaid card distributors, such as InComm and Blackhawk Network; and

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- providers of tax refund-related products and services, including tax preparation businesses with their own internally-developed products and services and independent providers, such as Republic Bank & Trust Company.

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. Similarly, some of our tax preparation partners have developed or may seek to develop their own products and services that compete with our tax refund-related products and services.

We also compete with businesses outside of the prepaid financial services industry, including traditional providers of financial services, such as banks that offer demand deposit accounts and card issuers that offer credit cards, private label retail cards and gift cards. In particular, our GoBank product is designed to compete directly with banks by providing products and services that they have traditionally provided. These and other competitors in the larger electronic payments industry are introducing new and innovative products and services, such as those involving radio frequency and proximity payment devices (such as contactless cards), e-commerce and mobile commerce, that compete with ours. We expect that this competition will continue as the prepaid financial services industry and the larger banking and electronic payments industry continues to rapidly evolve. We also expect to compete with businesses outside the traditional tax refund-related services industry in the future as new entrants seek to develop software solutions that may replace the need for our tax refund-related products and services.

Many existing and potential competitors have longer operating histories and greater name recognition than we do. In addition, many of our existing and potential competitors are substantially larger than we are, may already have or could develop substantially greater financial and other resources than we have, may offer, develop or introduce a wider range of programs and services than we offer or may use more effective advertising and marketing strategies than we do to achieve broader brand recognition, customer awareness and retail penetration. We could experience increased price competition as we are facing increased competition with a greater number of offerings from existing competitors and new market entrants at the stores of many of our retail distributors. If this happens, we expect that the purchase and use of our products and services would decline in the near term and farther into the future. If price competition materially intensifies, we may have to increase the incentives that we offer to our retail distributors and our tax preparation partners and decrease the prices of our products and services, any of which would likely adversely affect our operating results.

Our long-term success depends on our ability to compete effectively against existing and potential competitors that seek to provide prepaid cards or other electronic payment products and services as well as tax refund-related products and services. If we fail to compete effectively against any of the foregoing threats, our revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

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

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

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

Criminals are using increasingly sophisticated methods to engage in illegal activities involving prepaid cards, reload products or cardholder information. These activities often include malicious social engineering schemes, where people are asked to provide a prepaid card or reload product in order to obtain a loan or purchase goods or services. Illegal activities may also include fraudulent payment or refund schemes and identity theft. We rely upon third parties for some transaction processing services, which subjects us and our cardholders to risks related to the vulnerabilities of those

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third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, could result in reputational damage to us, which could reduce the use and acceptance of our cards and other products and services, cause retail distributors or network acceptance members to cease doing business with us or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect our business, operating results and financial condition. Furthermore, we have accelerated the implementation of risk control mechanisms that have made it more difficult for all customers, including legitimate customers, to obtain and use our products and services. We believe it is likely that our risk control mechanisms may continue to adversely affect our new card activations from legitimate customers for the foreseeable future and that our operating revenues, excluding stock-based retailer incentive compensation, will be negatively impacted as a result.

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

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

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

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

The provision of prepaid financial services and tax refund-related products and services is highly regulated and, from time to time, the laws and regulations affecting these industries, and the manner in which they are interpreted, are subject to change and legal action. Accordingly, 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. For example, 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. In addition, adverse rulings relating to our industries could cause our products and services to be subject to additional laws and regulations, which could make our products and services less profitable.

If onerous regulatory requirements were imposed on the sale of our products and services, the requirements could lead to a loss of retail distributors or tax preparation partners, which, in turn, could materially and adversely impact our operations. Moreover, if our products are adversely impacted by the interpretation or enforcement of these regulations or we or any of our retail distributors or tax preparation partners were unwilling or unable to make any such operational changes to comply with the interpretation or enforcement thereof, we would no longer be able to sell our cards through that noncompliant retail distributor, which could have a material adverse effect on our business, financial position and results of operations.

State and federal legislators and regulatory authorities remain increasingly focused on the banking and consumer financial services industries, and may propose and adopt new legislation that could result in significant adverse changes in the regulatory landscape for financial institutions and financial services companies. For example, federal legislation, such as the bill proposed by Senator Menendez, known as the Prepaid Card Consumer Protection Act of 2013, could limit the amount of fees, including monthly fees, that we would be able to charge and could impose operational requirements, such as closing and refunding certain dormant prepaid cards, which could decrease our operating revenues and increase our operating expenses. Proposed legislation in New Jersey could, if passed, also limit the types and amounts of fees that we would be able to charge, which could decrease our operating revenues. Additionally, the Consumer Financial Protection Bureau, or CFPB, issued an advance notice of proposed rulemaking in May 2012, requesting comment on topics including the scope of regulation of prepaid cards, fees and disclosures applicable to prepaid cards, product features and other information. If the CFPB's rulemaking or other new regulations or laws result in changes in the way we are regulated, these regulations could expose us 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. Furthermore, changes to the limitations placed on fees or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues. However, as the CFPB has not yet proposed any such rules, and no such rules related to prepaid cards are expected until late-2014, it is difficult to determine with any certainty what obligations the final rules might impose or what impact they might have on our business.

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

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the nine months ended September 30, 2014, interchange revenues represented 29.7% of our total operating revenues, and we expect interchange revenues to continue to represent a significant percentage of our total operating revenues. The amount of interchange revenues that we earn is highly dependent on the interchange rates that the payment networks set and adjust from time to time.

The enactment of the Dodd-Frank Act required the Federal Reserve Board to implement regulations that have substantially limited interchange fees for many issuers. While we believe the interchange rates that may be earned by us and our subsidiary bank are exempt from the limitations imposed by the Dodd-Frank Act, there can be no assurance that future regulation or changes by the payment networks will not impact our interchange revenues substantially. If interchange rates decline, whether due to actions by the payment networks or future regulation, we would likely need to change our fee structure to offset the loss of interchange revenues. However, our ability to make these changes is limited by the terms of our contracts and other commercial factors, such as price competition. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention, and we could suffer reputational damage and become subject to greater regulatory scrutiny. We also might have to discontinue certain products or services. As a result, our total operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

Our actual operating results may differ significantly from our guidance.

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

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 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. We also depend on third-party banks to assist with our tax refund-related products and services. It would be difficult to replace some of our third-party vendors, particularly Total System Services, Inc., in a timely manner if they were unwilling or unable to provide us with these services during the term of their agreements with us and our business and operations could be adversely affected. In particular, due to the seasonality in our tax refund-related business, any material service interruptions or service delays with key vendors during the tax season could result in losses that have an even greater adverse effect on that business than would be the case with our overall business.

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.

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

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

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

We are subject to regulatory oversight in the normal course of our business, and have been and from time to time may be subject to regulatory or judicial proceedings or investigations. The outcome of securities class actions and other litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, seek to have aspects of our business suspended or modified or seek to impose sanctions, including significant monetary fines. The monetary and other impact of these actions, litigations, proceedings or investigations may remain unknown for substantial periods of time. The cost to defend, settle or otherwise resolve these matters may be significant. Further, an unfavorable resolution of litigation, proceedings or investigations against us could have a material adverse effect on our business, operating results, or financial condition. In this regard, such costs could make it more difficult to maintain the capital, leverage and other financial commitments at levels we have agreed to with the Federal Reserve Board and the Utah Department of Financial Institutions. If regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, adverse publicity that may be associated with these proceedings or investigations could negatively impact our relationships with retail distributors, network acceptance members and card processors and decrease acceptance and use of, and loyalty to, our products and related services, and could impact the price of our Class A common stock. In addition, such proceedings or investigations could increase the risk that we will be involved in litigation. The outcome of any such litigation is difficult to predict and the cost to defend, settle or otherwise resolve these matters may be significant. For the foregoing reasons, if regulatory or judicial proceedings or investigations were to be initiated against us by private or governmental entities, our business, results of operations and financial condition could be adversely affected or our stock price could decline.

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

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

We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We currently have four patents outstanding and nine patents pending. Although we generally seek patent protection for inventions and improvements that we anticipate will be incorporated into our products and services, there is always a chance that our patents or patent applications could be challenged, invalidated or circumvented, or that an issued patent will not adequately cover the scope of our inventions or improvements incorporated into our products or services. Additionally, our patents could be circumvented by third-parties.

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

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

We are exposed to losses from cardholder accounts.

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

Additionally, our cardholders can incur charges in excess of the funds available in their accounts, and we may become liable for these overdrafts. While we decline authorization attempts for amounts that exceed the available balance in a cardholder’s account, the application of card association rules, the timing of the settlement of transactions and the assessment of the card’s monthly maintenance fee, among other things, can result in overdrawn accounts. Maintenance fee assessments accounted for approximately 91% of aggregate overdrawn account balances in the nine months ended September 30, 2014, as compared to approximately 96% in the nine months ended September 30, 2013. 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.

We consider overdrawn account balances 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, service or technology can create unforeseen operating difficulties, expenditures and other challenges such as:

- increased regulatory and compliance requirements;

- regulatory restrictions on revenue streams of acquired businesses;
- implementation or remediation of controls, procedures and policies at the acquired company;

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

If we are unable to successfully integrate an acquired business or technology or otherwise address these difficulties and challenges or other problems encountered in connection with an acquisition, we might not realize the anticipated benefits of that acquisition, we might incur unanticipated liabilities or we might otherwise suffer harm to our business generally. Unanticipated costs, delays or other operational or financial problems related to integrating the acquired company and business with our company may result in the diversion of our management's attention from other business issues and opportunities. 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. Failures or difficulties in integrating the operations of the businesses that we acquire, including their personnel, technology, compliance programs, financial systems, distribution and general business operations and procedures, marketing, promotion and other relationships, may affect our ability to grow and may result in us incurring asset impairment or restructuring charges.

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

An impairment charge of goodwill could have a material adverse impact on our financial condition and results of operations.

Because we have grown in part through acquisitions, our net goodwill and intangible assets represent a significant substantial portion of our consolidated assets. Our net goodwill and intangible assets were $50.8 million as of September 30, 2014 and will increase as a result of our acquisition of TPG in October 2014. In addition, under accounting principles generally accepted in the United States, we are required to test the carrying value of goodwill and intangible assets at least annually or sooner if events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal and regulatory factors, operating performance indicators, competition and other factors. We may be required to record goodwill impairment charges relating to certain of our reporting units if the fair value of our reporting units is less than their carrying value.

In addition, under accounting principles generally accepted in the United States, if we experience a decrease in our stock price and market capitalization over a sustained period, we may have to record an impairment charge in the future. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

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

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

The vast majority of our business is conducted through retail distributors that sell our products and services to consumers at their store locations. Our retail distributors collect funds from the consumers who purchase our products and services and then must remit these funds directly to accounts established for the benefit of these consumers at the banks that issue our cards. The remittance of these funds by the retail distributor takes on average two business days. If a retail distributor becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to our card issuing bank from the sales of our products and services, we are liable for any amounts owed to our customers. As of September 30, 2014, we had assets subject to settlement risk of $55.7 million. Given the possibility of recurring volatility in global financial markets, the approaches we use to assess and monitor the creditworthiness of our retail distributors may be inadequate, and we may be unable to detect and take steps to mitigate an increased credit risk in a timely manner.

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

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

The electronic payments industry, including the prepaid financial services segment within that industry, depends heavily upon the overall level of consumer spending. If conditions in the United States remain uncertain or deteriorate further, we may experience a reduction in the number of our cards that are purchased or reloaded, the number of transactions involving our cards and the use of our reload network and related services. A sustained reduction in the use of our products and related services, either as a result of a general reduction in consumer spending or as a result of a disproportionate reduction in the use of card-based payment systems, would materially harm our business, results of operations and financial condition.

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.

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We must be able to operate and scale our technology effectively to manage any future growth.

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

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 technology development personnel. Replacing departing key personnel can involve organizational disruption and uncertainty. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty in managing transitions and assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and technology development personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed.

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

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

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

We may not be able to raise needed cash in a timely basis on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our Class A common stock. In addition, if we were to raise cash through a debt financing, the terms of the financing might impose additional conditions or restrictions on our operations that could adversely affect our business. If we require new sources of financing but they are insufficient or unavailable, we would be required to modify our operating plans to take into account the limitations of available funding, which would harm our ability to maintain or grow our business.

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

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

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, or GAAP. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We have in the past and may in the future discover areas of our internal financial

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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.

Our debt agreements contain restrictive covenants and financial ratio tests that restrict or prohibit our ability to engage in or enter into a variety of transactions. If we fail to comply with these covenants or tests, our indebtedness under these agreements could become accelerated, which could adversely affect us.

In October 2014 we entered into a 225.0 million term credit agreement with Bank of America, N.A., as an administrative agent, Wells Fargo Bank, National Association, and other lenders. This agreement contains various covenants that may have the effect of limiting, among other things, our ability and the ability of certain of our subsidiaries to: merge with other entities, enter into a transaction resulting in a change in control, create new liens, incur additional indebtedness, sell assets outside of the ordinary course of business, enter into transactions with affiliates (other than subsidiaries) or substantially change the general nature of our and our subsidiaries’ business, taken as a whole, make certain investments, enter into restrictive agreements, or make certain dividends or other distributions. These restrictions could limit our ability to take advantage of financing, merger, acquisition or other opportunities, to fund our business operations or to fully implement our current and future operating strategies.

Under the agreement, we have agreed to maintain compliance with maximum consolidated leverage and consolidated fixed charge coverage ratios of 1.75 and 1.25, respectively, at the end of any fiscal quarter. Our ability to meet these financial ratios and tests will be dependent upon our future performance and may be affected by events beyond our control (including factors discussed in this “Risk Factors" section). If we fail to satisfy these requirements, our indebtedness under these agreements could become accelerated and payable at a time when we are unable to pay them. This would adversely affect our ability to implement our operating strategies and would have a material adverse effect on our financial condition.

Risks Related to Ownership of Our Class A Common Stock

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

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

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market prices and trading volumes of financial services company stocks;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;

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- actual or anticipated changes in the expectations of investors or the recommendations of any securities analysts who follow our Class A common stock;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- litigation and investigations or proceedings involving us, our industry or both or investigations by regulators into our operations or those of our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic conditions;
- changes to the indices in which our Class A common stock is included; and
- sales of shares of our Class A common stock by us or our stockholders.

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

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

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

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

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

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

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

We expect that the trading price for our Class A common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who currently cover us or our

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business downgrade their evaluations of our Class A common stock, the price of our Class A common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

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ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
10.1†	GoBank Amendment to MoneyCard Program Agreement dated as of August 26, 2014 by and among Green Dot Corporation and Wal-Mart Stores Arkansas, LLC, and Wal-Mart Stores East, L.P., Walmart Stores Texas L.L.C., Wal-Mart Louisiana, LLC, Wal-Mart Puerto Rico, Inc. and Green Dot Bank.
10.2†	Green Dot Everyday-Branded Additional Card Amendment to Walmart MoneyCard Program Agreement dated as of June 1, 2014 by and among Green Dot Corporation and Wal-Mart Stores, Inc., Wal-Mart Stores Arkansas, LLC, and Wal-Mart Stores East, L.P., Walmart Stores Texas L.L.C., Wal-Mart Louisiana, LLC, Wal-Mart Puerto Rico, Inc. and Green Dot 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 Grace T. Wang, 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.
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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.

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

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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:	November 7, 2014	By:	/s/ Grace T. Wang
		Name:	Grace T. Wang
		Title:	Chief Financial Officer

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