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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2017
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 001-34819
-

GREEN DOT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

95-4766827
(IRS Employer Identification No.)

**3465 E. Foothill Blvd.
Pasadena, California 91107**
(Address of principal executive offices, including zip code)

(626) 765-2000
(Registrant's telephone number, including area code)

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

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

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

- | | | | |
|-------------------------|---|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> <i>(Do not check if a smaller reporting company)</i> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 50,820,326 shares of Class A common stock outstanding, par value \$.001 per share as of October 31, 2017.

**GREEN DOT CORPORATION
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PART I

ITEM 1. Financial Statements

GREEN DOT CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2017	December 31, 2016
	(unaudited)	
	(In thousands, except par value)	
Assets		
Current assets:		
Unrestricted cash and cash equivalents	\$ 708,265	\$ 732,676
Restricted cash	62,374	12,085
Investment securities available-for-sale, at fair value	22,333	46,686
Settlement assets	163,866	137,083
Accounts receivable, net	21,456	40,150
Prepaid expenses and other assets	36,111	32,186
Income tax receivable	—	12,570
Total current assets	1,014,405	1,013,436
Investment securities available-for-sale, at fair value	156,513	161,740
Loans to bank customers, net of allowance for loan losses of \$237 and \$277 as of September 30, 2017 and December 31, 2016, respectively	19,791	6,059
Prepaid expenses and other assets	7,088	4,142
Property and equipment, net	91,623	82,621
Deferred expenses	10,668	16,647
Net deferred tax assets	4,651	4,648
Goodwill and intangible assets	590,561	451,051
Total assets	\$ 1,895,300	\$ 1,740,344
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 26,688	\$ 22,856
Deposits	834,684	737,414
Obligations to customers	60,715	46,043
Settlement obligations	5,153	4,877
Amounts due to card issuing banks for overdrawn accounts	1,301	1,211
Other accrued liabilities	92,856	102,426
Deferred revenue	14,171	25,005
Note payable	20,906	20,966
Income tax payable	2,201	—
Total current liabilities	1,058,675	960,798
Other accrued liabilities	28,995	12,330
Note payable	63,931	79,720
Net deferred tax liabilities	3,683	3,763
Total liabilities	1,155,284	1,056,611
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Class A common stock, \$0.001 par value; 100,000 shares authorized as of September 30, 2017 and December 31, 2016; 50,659 and 50,513 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	51	51
Additional paid-in capital	342,770	358,155
Retained earnings	397,582	325,708
Accumulated other comprehensive loss	(387)	(181)
Total stockholders' equity	740,016	683,733
Total liabilities and stockholders' equity	\$ 1,895,300	\$ 1,740,344

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	\$ 100,781	\$ 79,056	\$ 309,090	\$ 255,484
Processing and settlement service revenues	36,681	29,898	179,031	152,801
Interchange revenues	64,151	45,540	189,041	147,721
Total operating revenues	201,613	154,494	677,162	556,006
Operating expenses:				
Sales and marketing expenses	65,586	56,668	207,415	183,609
Compensation and benefits expenses	47,271	37,900	139,355	122,079
Processing expenses	34,027	25,703	119,723	80,760
Other general and administrative expenses	41,677	34,740	116,050	102,720
Total operating expenses	188,561	155,011	582,543	489,168
Operating income (loss)	13,052	(517)	94,619	66,838
Interest income	2,635	1,637	7,812	5,471
Interest expense	(1,397)	(1,430)	(4,595)	(7,619)
Income (loss) before income taxes	14,290	(310)	97,836	64,690
Income tax expense (benefit)	651	(2,347)	24,177	21,745
Net income	13,639	2,037	73,659	42,945
Income attributable to preferred stock	—	(35)	—	(1,102)
Net income available to common stockholders	\$ 13,639	\$ 2,002	\$ 73,659	\$ 41,843
Basic earnings per common share:	\$ 0.27	\$ 0.04	\$ 1.46	\$ 0.85
Diluted earnings per common share:	\$ 0.26	\$ 0.04	\$ 1.40	\$ 0.83
Basic weighted-average common shares issued and outstanding:	50,519	49,439	50,330	49,258
Diluted weighted-average common shares issued and outstanding:	52,923	50,709	52,788	50,510

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Net income	\$ 13,639	\$ 2,037	\$ 73,659	\$ 42,945
Other comprehensive (loss) income				
Unrealized holding (losses) gains, net of tax	(199)	(56)	(206)	618
Comprehensive income	<u>\$ 13,440</u>	<u>\$ 1,981</u>	<u>\$ 73,453</u>	<u>\$ 43,563</u>

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2017	2016
	(In thousands)	
Operating activities		
Net income	\$ 73,659	\$ 42,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	25,282	30,794
Amortization of intangible assets	22,926	17,272
Provision for uncollectible overdrawn accounts	58,505	58,694
Employee stock-based compensation	27,384	20,941
Amortization of premium on available-for-sale investment securities	1,157	1,000
Change in fair value of contingent consideration	(7,500)	(5,500)
Amortization of deferred financing costs	1,191	1,151
Impairment of capitalized software	1,066	137
Deferred income tax expense (benefit)	—	(389)
Changes in operating assets and liabilities:		
Accounts receivable, net	(35,866)	(43,267)
Prepaid expenses and other assets	(4,775)	(1,699)
Deferred expenses	9,025	8,299
Accounts payable and other accrued liabilities	(12,541)	(17,609)
Deferred revenue	(12,764)	(12,555)
Income tax receivable/payable	14,711	(569)
Other, net	1,888	2,389
Net cash provided by operating activities	<u>163,348</u>	<u>102,034</u>
Investing activities		
Purchases of available-for-sale investment securities	(58,665)	(123,447)
Proceeds from maturities of available-for-sale securities	57,784	83,031
Proceeds from sales of available-for-sale securities	29,074	1,322
Increase in restricted cash	(50,284)	(34,344)
Payments for acquisition of property and equipment	(32,373)	(33,266)
Net (increase) decrease in loans	(13,732)	582
Acquisition, net of cash acquired	(141,498)	—
Net cash used in investing activities	<u>(209,694)</u>	<u>(106,122)</u>
Financing activities		
Borrowings from notes payable	20,000	—
Repayments of borrowings from notes payable	(36,875)	(16,875)
Borrowings on revolving line of credit	335,000	25,000
Repayments on revolving line of credit	(335,000)	(25,000)
Proceeds from exercise of options	18,183	9,410
Taxes paid related to net share settlement of equity awards	(12,737)	(6,325)
Net increase (decrease) in deposits	97,270	(59,170)
Net decrease in obligations to customers	(11,835)	(35,981)
Contingent consideration payments	(1,907)	(2,555)
Repurchase of Class A common stock	(50,000)	(59,013)
Deferred financing costs	(164)	—
Net cash provided by (used in) financing activities	<u>21,935</u>	<u>(170,509)</u>
Net decrease in unrestricted cash and cash equivalents	(24,411)	(174,597)
Unrestricted cash and cash equivalents, beginning of year	732,676	772,129
Unrestricted cash and cash equivalents, end of year	<u>\$ 708,265</u>	<u>\$ 597,532</u>
Cash paid for interest	\$ 3,404	\$ 6,467
Cash paid for income taxes	\$ 9,408	\$ 22,626

See notes to unaudited consolidated financial statements

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Organization

Green Dot Corporation (“we,” “our,” or “us” refer to Green Dot Corporation and its consolidated subsidiaries) is a technology-centric United States Bank Holding Company, regulated by the Board of Governors of the Federal Reserve System and the State of Utah Department of Financial Institutions. Our mission is to reinvent personal banking for the masses.

We deploy a “Product and Platform” business strategy whereby we use our subsidiary bank, Green Dot Bank, and our high-scale and robust product and technology capabilities to create, design, develop and distribute our branded financial products and services through a large omni-channel consumer distribution network. Additionally, we enable other qualified and leading consumer, retail, technology and financial services companies to utilize our integrated banking and technology platform, known as our “Banking as a Service,” or “BaaS Platform,” to enable those “platform partners” to create, design, develop and distribute their own innovative and bespoke banking and financial products to satisfy their own business strategies.

As the regulated entity and issuing bank for all products and services we issue, whether our own or those of a platform partner, we are directly accountable for all aspects of the program’s integrity, inclusive of ensuring the program’s compliance with all applicable banking regulations, applicable federal and state law and our various internal governance policies and procedures related to all areas of risk and compliance, in addition to deploying enterprise-class risk management practices and procedures to ensure the program’s initial and ongoing safety and soundness.

Inclusive of our approximately 100,000 retail distribution locations, plus our direct, corporate, tax preparation (ERO), online, app store and platform partner channels, we believe that our omni-channel distribution network makes us one of the most widely distributed financial services and banking franchises in the United States.

Our products and services:

We offer consumers a broad collection of financial products and services managed through several diverse business lines which are then made available to consumers through a widely-available “branchless” distribution network in the United States. Most, but not all, of the products and services we internally create and distribute are marketed under the Green Dot brand name, which we believe is both a well-known and highly trusted brand name for millions of consumers. Our branchless network consists of:

- distribution arrangements with approximately 100,000 mostly major chain retail locations, which we refer to as “retail distributors” and thousands of neighborhood Financial Service Center locations;
- several differently branded, Green Dot-owned and operated direct-to-consumer online and direct mail customer acquisition platforms;
- corporate distribution partnerships with businesses that provide payroll cards to their employees to receive wage disbursements;
- more than 25,000 small and large tax preparation companies and individual tax preparers, known as electronic return originators, or “EROs”, who are able to offer our products and services to their customers through the use of various tax preparation industry software packages with which our products are integrated;
- apps compatible with the iOS and Android operating systems downloaded through the corresponding app store; and
- platform partners’ distribution channels that those partners use to acquire customers for their bespoke products and services that are powered by our BaaS Platform.

Our products and services include several deposit account programs, such as network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, collectively referred to as “GPR cards,” consumer checking accounts, small business checking accounts, network-branded gift cards (known as open-loop), secured credit cards and other financial services. We also offer several products and services that specialize in facilitating the movement cash on behalf of consumers and businesses. These products and services include: our proprietary swipe reload system for crediting cash onto an enabled payment card by swiping the payment card at the point of sale at any Green Dot Network participating retailer; MoneyPak, a product that allows a consumer to add funds to accounts we issue or accounts issued by affiliated United States chartered and regulated third party banks; and e-cash, a remittance product that allows a consumer to send or receive cash using a Green Dot generated bar code or claim

GREEN DOT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Organization (continued)

number sent to the recipient's smartphone that is then fulfilled at a Green Dot participating retailer. We refer to these services collectively as our cash transfer products.

Our BaaS Platform:

Through our BaaS Platform, we currently power the following types of products and services on behalf of several of America's largest retail, consumer, technology and financial services companies:

- Mobile banking;
- Loan disbursement accounts;
- Spend-based Mobile P2P services;
- Money transfer services;
- General purpose reloadable prepaid cards;
- Network branded "open loop" gift cards;
- Instant payment and wage disbursement through our Simply Paid platform;
- Small business checking accounts and debit cards; and
- Consumer checking accounts.

Note 2—Summary of Significant Accounting Policies**Basis of Presentation**

The accompanying unaudited consolidated financial statements are prepared 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, 2016 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, 2017. 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.

Recent Accounting Pronouncements***Recently issued accounting pronouncements not yet adopted***

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other* ("ASU 2017-04"): *Simplifying the Test for Goodwill Impairment*, which simplifies the existing two-step guidance for goodwill impairment testing by eliminating the second step resulting in a write-down to goodwill equal to the initial amount of impairment determined in step one. The ASU is to be applied prospectively for reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. We are currently evaluating the impact of the provisions of ASU 2017-04 on our consolidated financial statements, however, we do not anticipate it will have a material impact upon adoption.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* ("ASU 2016-18"), to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments should be applied retrospectively to each period presented. Early adoption is permitted, including adoption in an interim period. We currently plan to adopt ASU 2016-18 on January 1, 2018, the effect of which will result in a change in presentation on our statement of cash flows, but not on our consolidated financial results.

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

Note 2—Summary of Significant Accounting Policies (continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") that requires financial assets measured at amortized cost be presented at the net amount expected to be collected. Credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited by the amount that the fair value is less than amortized cost. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of ASU 2016-13 on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. ASU 2016-02 requires that a lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for leases with a term greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those periods, using a modified retrospective approach and early adoption is permitted. We are currently in the process of evaluating the impact of ASU 2016-02 on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU 2016-01 requires the change in fair value of many equity investments to be recognized in net income. The standard is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-01 may result in a cumulative adjustment to retained earnings as of the beginning of the year of adoption. We are currently evaluating the impact of ASU 2016-01 on our consolidated financial statements, however, we do not anticipate it will have a material impact upon adoption.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("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. ASU 2014-09, as amended by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for annual reporting periods beginning after December 15, 2016. The FASB has also issued a number of additional technical corrections since the initial ASU, all of which follow the effective dates of the new revenue recognition guidance under Topic 606. The amendment allows companies to use either a full retrospective or a modified retrospective approach to adopt this ASU.

We have formed a cross-functional project team and are currently assessing the impact of the adoption of this principle on our consolidated financial statements. We have performed a review of the requirements under the new revenue standard and are monitoring the activity of the FASB for applicable updates. We are continuing with our assessments of our customer contracts, but have not yet quantified the effect, if any, the new guidance will have on our consolidated financial statements, the related disclosures or our internal controls over financial reporting. However, based on the nature of our most significant revenue streams, our preliminary view is that our current revenue policies and accounting practices under which the amounts and timing of revenue are recorded is overall consistent with the core principles of the new revenue standard and therefore management does not anticipate significant changes to our current policies. We anticipate adopting this ASU on January 1, 2018 using the modified retrospective approach, however, may opt for the full retrospective method depending on the final outcome of our evaluation.

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

Note 2—Summary of Significant Accounting Policies (continued)

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The effective date and transition requirements for the ASU is the same as the effective date and transition requirements of ASU 2014-09. We are currently in the process of evaluating the impact of ASU 2016-08 on our consolidated financial statements in conjunction with ASU 2014-09, as discussed above.

In March 2016, the FASB issued ASU No. 2016-04, *Liabilities – Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products* ("ASU 2016-04"). ASU 2016-04 aligns recognition of the financial liabilities related to prepaid stored-value products (for example, gift cards) with Topic 606, *Revenues from Contracts with Customers*, for non-financial liabilities. In general, these liabilities may be extinguished proportionately in earnings as redemptions occur, or when redemption is remote if issuers are not entitled to the unredeemed stored value. ASU 2016-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. Based on our current accounting policy, we do not expect the adoption of ASU 2016-04 to have a material impact on our consolidated financial statements.

Recently adopted accounting pronouncements

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") that simplifies how companies account for certain aspects of share-based payments to employees, including the accounting for income taxes upon vesting or exercise of share-based payments, classification of awards as either equity or liabilities with respect to statutory tax withholding thresholds, accounting for forfeitures, as well as certain classifications on the statement of cash flows. We adopted the provisions of ASU 2016-09 effective January 1, 2017.

Under ASU 2016-09, all excess tax benefits and tax deficiencies related to stock compensation are now recognized as income tax expense or benefit in the income statement instead of additional paid-in capital on the consolidated balance sheets. Since we did not have any previously unrecognized excess tax benefits, no cumulative-effect adjustment to retained earnings was required upon adoption pertaining to unrecognized excess tax benefits. Excess tax benefits are also now classified as operating activities in the consolidated statements of cash flows instead of in financing activities. The presentation of excess tax benefits on our consolidated statements of cash flows was adopted retrospectively, and accordingly, we reclassified \$1.9 million of excess tax benefits under financing activities to operating activities for the nine months ended September 30, 2016 on our consolidated statements of cash flows to conform to the current year presentation. Additionally, upon adoption of ASU 2016-09, we elected to account for forfeitures on stock-based compensation as they occur, rather than estimate future expected forfeitures. As a result of this accounting change, we recognized a net cumulative effect adjustment to reduce retained earnings as of January 1, 2017 for approximately \$1.8 million.

See *Note 7 — Employee Stock-Based Compensation* and *Note 10 — Income Taxes* for additional information on the impact of the adoption on our consolidated financial statements.

Note 3—Business Combination

On February 28, 2017, we completed our acquisition of all the membership interests of UniRush, LLC ("UniRush"), an online direct-to-consumer GPR card and corporate payroll card provider. The fair value of the total consideration in connection with the acquisition was approximately \$163.7 million, which included cash and contingent consideration in the form of an earn-out. We financed the transaction with \$142.2 million in cash, of which \$95 million was raised from a combination of our Revolving Facility, as discussed in *Note 9 — Note Payable*, and subordinated notes payable of \$20 million to the selling shareholders of UniRush. The subordinated notes were repaid during the three months ended March 31, 2017. The transaction terms include an earn-out equal to the greater of (i) a specified percentage of the revenue generated by the online direct-to-consumer GPR card portfolio for the five-year period following the closing or (ii) \$20 million, payable quarterly over the five years.

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

Note 3—Business Combination (continued)

The following table summarizes the preliminary fair value of consideration transferred:

	Consideration
	(In thousands)
Cash, including proceeds from notes payable	\$ 142,154
Fair value of contingent consideration	21,500
Total consideration	\$ 163,654

The preliminary allocation of the purchase price is as follows:

	February 28, 2017
	(In thousands)
Assets:	
Cash and cash equivalents	\$ 656
Accounts receivable, net	5,745
Prepaid expenses and other assets	5,147
Property and equipment, net	4,233
Intangible assets	69,000
Goodwill	93,434
Total assets:	178,215
Liabilities:	
Accounts payable	10,861
Other liabilities	3,700
Total liabilities:	14,561
Net assets acquired	\$ 163,654

We have not yet completed our final allocation of the total purchase price to the assets acquired and liabilities assumed. We have made a preliminary allocation of the estimated purchase price to the assets acquired and liabilities assumed based on their estimated fair value at the date of purchase. During the measurement period, we may adjust the provisional allocation of the estimated purchase price for new information obtained about facts and circumstances that existed as of the acquisition date, that if known, would have affected the measurements of the amounts recognized at that date. Upon completion of our purchase accounting, we may make additional adjustments, and the valuations for the assets and liabilities may change.

Goodwill of approximately \$93.4 million represents the excess of the purchase price over the preliminary estimate of the fair value of the underlying identifiable tangible and intangible assets acquired and liabilities assumed. The goodwill arises from the opportunity for synergies and economies of scale from the combined companies, and expanding our reach into the online direct-to-consumer and corporate payroll distribution channels. Although the goodwill will not be amortized for financial reporting purposes, it is anticipated that substantially all of the goodwill will be deductible for federal tax purposes over the statutory period of 15 years.

Intangible assets consist primarily of customer relationships and trade name of approximately \$58.5 million and \$5.5 million, respectively. The customer relationships will be amortized over its estimated useful life of 5-10 years and the trade name will be amortized over a period of 15 years.

Our acquisition of UniRush was accounted for under the acquisition method of accounting, with the operating results of UniRush included in our consolidated statements of operations from March 1, 2017 to September 30, 2017. Transaction costs incurred in connection with the acquisition were not material.

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

Note 3—Business Combination (continued)
Unaudited pro forma financial information

The following unaudited pro forma summary financial results present the consolidated results of operations as if the acquisition of UniRush had occurred as of January 1, 2016, after the effect of certain adjustments, including interest expense on the debt used to fund the purchase, amortization of certain identifiable intangible assets, income and expense items not attributable to ongoing operations and related tax effects. The unaudited pro forma condensed consolidated statements of operations does not include any adjustments for any restructuring activities, operating efficiencies or cost savings. The pro forma results have been presented for comparative purposes only and are not indicative of what would have occurred had the UniRush acquisition been made as of January 1, 2016, or of any potential results which may occur in the future.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Net revenues	\$ 201,613	\$ 179,703	\$ 696,447	\$ 633,679
Net income (loss) attributable to common stock	\$ 13,639	\$ (1,722)	\$ 66,026	\$ 47,412
Basic earnings (loss) per common share	\$ 0.27	\$ (0.03)	\$ 1.31	\$ 0.96
Diluted earnings (loss) per common share	\$ 0.26	\$ (0.03)	\$ 1.25	\$ 0.94
Basic weighted-average common shares issued and outstanding	50,519	49,439	50,330	49,258
Diluted weighted-average common shares issued and outstanding	52,923	50,709	52,788	50,510

Note 4—Investment Securities

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

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
September 30, 2017				
Corporate bonds	\$ 8,231	\$ 1	\$ (4)	\$ 8,228
Commercial paper	399	—	—	399
U.S. Treasury notes	17,014	—	(46)	16,968
Mortgage-backed securities	130,016	63	(895)	129,184
Municipal bonds	1,179	2	(4)	1,177
Asset-backed securities	22,956	1	(67)	22,890
Total investment securities	<u>\$ 179,795</u>	<u>\$ 67</u>	<u>\$ (1,016)</u>	<u>\$ 178,846</u>
December 31, 2016				
Corporate bonds	\$ 21,533	\$ 9	\$ (7)	\$ 21,535
Commercial paper	12,427	4	(1)	12,430
U.S. Treasury notes	21,603	1	(41)	21,563
Agency securities	4,002	—	(1)	4,001
Mortgage-backed securities	117,990	242	(741)	117,491
Municipal bonds	1,460	1	(31)	1,430
Asset-backed securities	30,131	1	(156)	29,976
Total investment securities	<u>\$ 209,146</u>	<u>\$ 258</u>	<u>\$ (978)</u>	<u>\$ 208,426</u>

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

Note 4—Investment Securities (continued)

As of September 30, 2017 and December 31, 2016, 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, 2017						
Corporate bonds	\$ 6,503	\$ (4)	\$ —	\$ —	\$ 6,503	\$ (4)
U.S. Treasury notes	9,020	(18)	7,949	(28)	16,969	(46)
Mortgage-backed securities	86,545	(628)	31,882	(267)	118,427	(895)
Municipal bonds	—	—	196	(4)	196	(4)
Asset-backed securities	17,373	(51)	4,811	(16)	22,184	(67)
Total investment securities	\$ 119,441	\$ (701)	\$ 44,838	\$ (315)	\$ 164,279	\$ (1,016)

December 31, 2016

Corporate bonds	\$ 8,739	\$ (7)	\$ 1,999	\$ —	\$ 10,738	\$ (7)
Commercial paper	2,672	(1)	—	—	2,672	(1)
U.S. Treasury notes	16,211	(41)	—	—	16,211	(41)
Agency securities	4,002	(1)	—	—	4,002	(1)
Mortgage-backed securities	23,300	(236)	61,383	(505)	84,683	(741)
Municipal bonds	—	—	937	(31)	937	(31)
Asset-backed securities	25,501	(156)	—	—	25,501	(156)
Total investment securities	\$ 80,425	\$ (442)	\$ 64,319	\$ (536)	\$ 144,744	\$ (978)

We did not record any other-than-temporary impairment losses during the three and nine months ended September 30, 2017 or 2016 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, 2017, 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	\$ 22,374	\$ 22,333
Due after one year through five years	3,877	3,870
Due after five years through ten years	57	58
Due after ten years	728	724
Mortgage and asset-backed securities	152,759	151,861
Total investment securities	\$ 179,795	\$ 178,846

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.

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

Note 5—Accounts Receivable

Accounts receivable, net consisted of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Overdrawn account balances due from cardholders	\$ 18,668	\$ 14,773
Reserve for uncollectible overdrawn accounts	(15,387)	(11,932)
Net overdrawn account balances due from cardholders	3,281	2,841
Trade receivables	5,656	1,941
Reserve for uncollectible trade receivables	(29)	(372)
Net trade receivables	5,627	1,569
Receivables due from card issuing banks	5,620	8,497
Fee advances	2,765	16,708
Other receivables	4,163	10,535
Accounts receivable, net	\$ 21,456	\$ 40,150

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Balance, beginning of period	\$ 13,619	\$ 14,506	\$ 11,932	\$ 7,999
Provision for uncollectible overdrawn accounts:				
Fees	19,124	17,299	53,393	53,003
Purchase transactions	1,943	1,609	5,112	5,691
Charge-offs	(19,299)	(21,623)	(55,050)	(54,902)
Balance, end of period	\$ 15,387	\$ 11,791	\$ 15,387	\$ 11,791

Note 6—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, 2017						
Residential	\$ —	\$ —	\$ 6	\$ 6	\$ 4,311	\$ 4,317
Commercial	—	—	—	—	122	122
Installment	—	—	—	—	1,436	1,436
Secured credit card	—	—	—	—	14,153	14,153
Total loans	\$ —	\$ —	\$ 6	\$ 6	\$ 20,022	\$ 20,028
Percentage of outstanding	—%	—%	—%	—%	100.0%	100.0%
December 31, 2016						
Residential	\$ —	\$ 6	\$ —	\$ 6	\$ 3,718	\$ 3,724
Commercial	—	—	—	—	366	366
Installment	—	—	2	2	1,742	1,744
Secured credit card	—	—	—	—	502	502
Total loans	\$ —	\$ 6	\$ 2	\$ 8	\$ 6,328	\$ 6,336
Percentage of outstanding	—%	0.1%	—%	0.1%	99.9%	100.0%

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

Note 6—Loans to Bank Customers (continued)

Secured Credit Card Loans

On August 31, 2017, we completed an asset acquisition of a secured credit card portfolio for approximately \$8.1 million. In exchange for the payment, we received approximately \$8.2 million of secured credit card receivables, all collateralized by the cardholders' security deposits, which also acts as the cardholders' credit limits.

Nonperforming Loans

The following table presents the carrying value, gross of the related allowance for loan losses, of our nonperforming 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, 2016 for further information on the criteria for classification as nonperforming.

	September 30, 2017	December 31, 2016
	(In thousands)	
Residential	\$ 540	\$ 368
Commercial	32	—
Total loans	<u>\$ 572</u>	<u>\$ 368</u>

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, 2017		December 31, 2016	
	Non-Classified	Classified	Non-Classified	Classified
	(In thousands)			
Residential	\$ 3,762	\$ 555	\$ 3,036	\$ 688
Commercial	90	32	366	—
Installment	1,291	145	1,432	312
Secured credit card	14,153	—	502	—
Total loans	<u>\$ 19,296</u>	<u>\$ 732</u>	<u>\$ 5,336</u>	<u>\$ 1,000</u>

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, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
	(In thousands)			
Residential	\$ 555	\$ 502	\$ 388	\$ 316
Commercial	32	32	—	—
Installment	73	25	220	98

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

Note 6—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,	
	2017	2016	2017	2016
	(In thousands)			
Balance, beginning of period	\$ 319	\$ 266	\$ 277	\$ 426
Provision (benefit) for loans	72	—	135	(151)
Loans charged off	(158)	(2)	(189)	(24)
Recoveries of loans previously charged off	4	8	14	21
Balance, end of period	\$ 237	\$ 272	\$ 237	\$ 272

Note 7—Employee Stock-Based Compensation

We currently grant restricted equity awards 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.

Restricted Stock Units

The following table summarizes restricted stock units with only service conditions granted under our 2010 Equity Incentive Plan:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Restricted stock units granted	106	381	301	1,360
Weighted-average grant-date fair value	\$ 47.19	\$ 22.72	\$ 36.86	\$ 22.63

Performance Based Restricted Stock Units

During the three and nine months ended September 30, 2017, we also granted performance-based restricted stock units to certain employees that are subject to the attainment of minimum pre-established annual performance targets. The majority of these awards are tied to the achievement of an annual non-GAAP earnings per share target for the grant year. The actual number of shares subject to the award is determined at the end of the annual performance period and may range from zero to 150% percent of the target shares granted. These awards contain an additional service component after each annual performance period is concluded and the unvested balance of the shares determined at the end of the annual performance period will vest over the remaining requisite service period. Compensation expense related to these awards is recognized using the accelerated attribution method over the four-year vesting period based on the fair value of the closing market price of our Class A common stock on the date of the grant and the estimated performance that is expected to be achieved.

In the case of our Chief Executive Officer, vesting of the award is based on the achievement of a total shareholder return ("TSR") relative to the S&P 600 index over the three-year performance period. Compensation expense related to these awards is recognized over the performance period based on the grant date fair value through the use of a Monte Carlo simulation and are not subsequently re-measured.

The following table summarizes the performance-based restricted stock units granted under our 2010 Equity Incentive Plan:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Performance based restricted stock units granted	1	175	616	412
Weighted-average grant-date fair value	\$ 46.28	\$ 22.81	\$ 36.02	\$ 24.46

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

Note 7—Employee Stock-Based Compensation (continued)

The total stock-based compensation expense recognized was \$11.0 million and \$7.9 million for the three months ended September 30, 2017 and 2016, respectively, and \$27.4 million and \$20.9 million for the nine months ended September 30, 2017 and 2016, respectively. Total stock-based compensation expense includes amounts related to awards of stock options, restricted stock units (including performance-based restricted stock units) and purchases under our 2010 Employee Stock Purchase Plan. Effective January 1, 2017, as a result of the adoption of ASU 2016-09, we account for forfeitures on our stock-based compensation as they occur, rather than estimating expected forfeitures. As a result of this accounting change, we recognized a net cumulative effect adjustment to reduce retained earnings as of January 1, 2017 for approximately \$1.8 million.

Note 8—Deposits

Deposits are categorized as non-interest or interest-bearing deposits as follows:

	September 30, 2017	December 31, 2016
	(In thousands)	
Non-interest bearing deposit accounts		
GPR deposits	\$ 668,080	\$ 617,220
Other demand deposits	77,309	103,523
Total non-interest bearing deposit accounts	745,389	720,743
Interest-bearing deposit accounts		
Checking accounts	73,203	1,209
Savings	9,758	8,832
Time deposits, denominations greater than or equal to \$100	4,723	5,132
Time deposits, denominations less than \$100	1,611	1,498
Total interest-bearing deposit accounts	89,295	16,671
Total deposits	\$ 834,684	\$ 737,414

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

	September 30, 2017
	(In thousands)
Due in 2017	\$ 1,682
Due in 2018	2,137
Due in 2019	581
Due in 2020	845
Due in 2021	853
Thereafter	236
Total time deposits	\$ 6,334

Note 9—Note Payable

In October 2014, we entered into a \$225.0 million secured 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 (the "Revolving Facility") and 2) a five year \$150.0 million term loan facility ("Term Facility" and, together with the Revolving Facility, the "Senior Credit 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.

As of September 30, 2017 and December 31, 2016, our outstanding debt, net of deferred financing costs of \$3.3 million and \$4.3 million, respectively, consisted of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Term facility	\$ 84,837	\$ 100,686
Revolving facility	—	—
Total notes payable	\$ 84,837	\$ 100,686

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

Note 9—Note Payable (continued)

Quarterly principal payments of \$5.6 million are payable on the loans under the Term Facility. During each of the nine months ended September 30, 2017 and 2016, we made scheduled quarterly principal payments totaling \$16.9 million. The Senior Credit Facility matures on October 23, 2019 and any amounts then outstanding are due upon maturity.

Interest

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. The effective interest rate on borrowings outstanding as of September 30, 2017 was 3.99%. Interest expense, excluding the amortization of debt issuance costs, related to our Senior Credit Facility was \$1.0 million for each of the three months ended September 30, 2017 and 2016, and \$3.3 million and \$3.0 million for the nine months ended September 30, 2017 and 2016, respectively.

Covenants and restrictions

The Senior Credit Facility contains customary representations and warranties relating to us and our subsidiaries. Obligations under the Senior Credit Facility are secured by first priority liens on, and security interests in, substantially all of our company assets and each Guarantor, as defined in the agreement. The Senior Credit Facility also contains certain affirmative and negative covenants including negative covenants that limit or restrict, among other things, liens, indebtedness, investments and acquisitions, mergers and fundamental changes, asset sales, restricted payments, changes in the nature of the business, transactions with affiliates and other matters customarily restricted in such agreements. We must maintain a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as set forth in the credit agreement. At September 30, 2017, we were in compliance with all such covenants.

Note 10—Income Taxes

Income tax expense for the nine months ended September 30, 2017 and 2016 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,	
	2017	2016
U.S. federal statutory tax rate	35.0 %	35.0 %
State income taxes, net of federal tax benefit	(0.5)	1.6
General business credits	(3.0)	(3.5)
Employee stock-based compensation	(8.2)	0.6
Other	1.4	(0.1)
Effective tax rate	24.7 %	33.6 %

The effective tax rate for the nine months ended September 30, 2017 and 2016 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 decrease in the effective tax rate for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 is primarily due to excess tax benefits related to stock compensation recognized as an income tax benefit instead of additional paid-in capital in accordance with ASU 2016-09 and the release of reserves for uncertain tax positions upon the completion of tax examinations and the expiration of the statute of limitations with certain taxing jurisdictions. See *Note 2 — Summary of Significant Accounting Policies* for additional information about our adoption of ASU 2016-09.

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, 2017 and 2016, 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.

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

Note 10—Income Taxes (continued)

We are subject to examination by the Internal Revenue Service, or IRS, and various state tax authorities. We remain subject to examination of our federal income tax return for the years ended December 31, 2014 through 2016. We generally remain subject to examination of our various state income tax returns for a period of three to four years from the respective dates the returns were filed.

As of September 30, 2017, we have net operating loss carryforwards of approximately \$41.2 million and \$32.3 million for federal and state tax purposes, respectively, which will be available to offset future income. If not used, these carryforwards will expire between 2020 and 2035. In addition, we have state business tax credits of approximately \$7.7 million that can be carried forward indefinitely and other state business tax credits of approximately \$1.1 million that will expire 2026.

As of September 30, 2017 and December 31, 2016, we had a liability of \$6.3 million and \$7.3 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,	
	2017	2016
	(In thousands)	
Beginning balance	\$ 7,314	\$ 7,371
Increases related to positions taken during prior years	404	135
Increases related to positions taken during the current year	1,119	888
Decreases related to positions settled with tax authorities	(1,189)	(1,106)
Decreases as a result of a lapse of applicable statute of limitations	(1,392)	(109)
Ending balance	<u>\$ 6,256</u>	<u>\$ 7,179</u>
The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	\$ 6,256	\$ 7,179

As of September 30, 2017 and 2016, we recognized accrued interest and penalties related to unrecognized tax benefits of approximately \$0.3 million and \$0.6 million, respectively.

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

Note 11—Stockholders' Equity**Stock Repurchase Program**

In June 2015, our Board of Directors authorized, subject to regulatory approval, a repurchase of shares of our Class A Common Stock in an amount up to \$150 million under a stock repurchase program with no expiration date. As of March 31, 2017, we have repurchased all \$150 million of Class A common stock under the repurchase program, subject to final settlement of our open accelerated share repurchase discussed below.

Accelerated Share Repurchases

We have entered into accelerated share repurchase arrangements ("ASRs") with a financial institution from time to time under our stock repurchase program. The following table summarizes our ASR activity since inception of the repurchase program:

	Purchase Period End Date	Number of Shares (In thousands)		Average repurchase price per share	ASR Amount (In thousands)
March 2017 ASR	November 2017	1,326	(1)	(1)	\$ 50,000
April 2016 ASR	October 2016	2,219		\$ 22.54	\$ 50,000
September 2015 ASR	January 2016	2,342		\$ 17.08	\$ 40,000

(1) "Number of Shares" represents shares delivered in the beginning of the purchase period and does not represent the final number of shares to be delivered under the ASR. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period based on the volume-weighted average price of our Class A common stock during that period. We expect the March 2017 ASR purchase period will end by November 2017.

In exchange for an up-front payment in March 2017, the financial institution delivered 1.3 million shares of our Class A common stock. Upon settlement, we will either receive additional shares from the financial institution or we may be required to deliver additional shares or cash to the financial institution, at our election. The final number of shares received upon settlement for the ASR is determined based on the volume-weighted average price of our common stock over the term of the agreement less an agreed upon discount and subject to adjustments pursuant to the terms and conditions of the ASR. The shares received are retired in the periods they are delivered, but remain authorized for registration and issuance in the future.

The up-front payments are accounted for as a reduction to shareholders' equity on our consolidated balance sheets in the periods the payments are made. The ASRs are accounted for in two separate transactions: 1) a treasury stock repurchase for the initial shares received and 2) a forward stock purchase contract indexed to our own stock for the unsettled portion of the ASR. The par value of the shares received are recorded as a reduction to common stock with the remainder recorded as a reduction to additional paid-in capital and retained earnings. The ASRs meet all of the applicable criteria for equity classification, and therefore are not accounted for as derivative instruments. The initial repurchase of shares result in an immediate reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted earnings per share.

Other

In connection with our stock repurchase program, we entered into a repurchase plan in December 2015 under Rule 10b5-1 of the Exchange Act for \$10 million. The timing, nature and amount of purchases depended on a variety of factors, including market conditions and the volume limit defined by Rule 10b-18. We completed all repurchases under this plan during the first quarter of 2016 and total repurchases amounted to approximately 0.6 million shares at an average price of \$16.15.

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

Note 12—Earnings per Common Share

The calculation of basic and diluted EPS was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands, except per share data)				
Basic earnings per Class A common share				
Net income	\$ 13,639	\$ 2,037	\$ 73,659	\$ 42,945
Income attributable to preferred stock	—	(35)	—	(1,102)
Net income allocated to Class A common stockholders	\$ 13,639	\$ 2,002	\$ 73,659	\$ 41,843
Weighted-average Class A shares issued and outstanding	50,519	49,439	50,330	49,258
Basic earnings per Class A common share	<u>\$ 0.27</u>	<u>\$ 0.04</u>	<u>\$ 1.46</u>	<u>\$ 0.85</u>
Diluted earnings per Class A common share				
Net income allocated to Class A common stockholders	\$ 13,639	\$ 2,002	\$ 73,659	\$ 41,843
Re-allocated earnings	—	1	—	27
Diluted net income allocated to Class A common stockholders	\$ 13,639	\$ 2,003	\$ 73,659	\$ 41,870
Weighted-average Class A shares issued and outstanding	50,519	49,439	50,330	49,258
Dilutive potential common shares:				
Stock options	790	532	764	508
Restricted stock units	1,292	644	1,404	665
Performance based restricted stock units	306	82	282	72
Employee stock purchase plan	16	12	8	7
Diluted weighted-average Class A shares issued and outstanding	<u>52,923</u>	<u>50,709</u>	<u>52,788</u>	<u>50,510</u>
Diluted earnings per Class A common share	<u>\$ 0.26</u>	<u>\$ 0.04</u>	<u>\$ 1.40</u>	<u>\$ 0.83</u>

For the periods presented, we excluded all shares of convertible preferred stock and certain restricted stock units and stock options outstanding, which could potentially dilute basic EPS in the future, from the computation of diluted EPS as their effect was anti-dilutive. Additionally, we have excluded any performance based restricted stock units for which the performance contingency has not been met as of the end of the period. The following table shows the weighted-average number of shares excluded from the diluted EPS calculation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Class A common stock				
Options to purchase Class A common stock	56	71	9	142
Restricted stock units	—	—	—	8
Performance based restricted stock units	539	235	301	172
Conversion of convertible preferred stock	—	859	—	1,297
Total options, restricted stock units and convertible preferred stock	<u>595</u>	<u>1,165</u>	<u>310</u>	<u>1,619</u>

Note 13—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, 2016.

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

Note 13—Fair Value Measurements (continued)

As of September 30, 2017 and December 31, 2016, our assets and liabilities carried at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
September 30, 2017				
(In thousands)				
Assets				
Corporate bonds	\$ —	\$ 8,228	\$ —	\$ 8,228
Commercial paper	—	399	—	399
U.S. Treasury notes	—	16,968	—	16,968
Mortgage-backed securities	—	129,184	—	129,184
Municipal bonds	—	1,177	—	1,177
Asset-backed securities	—	22,890	—	22,890
Total assets	\$ —	\$ 178,846	\$ —	\$ 178,846
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 20,727	\$ 20,727
December 31, 2016				
Assets				
Corporate bonds	\$ —	\$ 21,535	\$ —	\$ 21,535
Commercial paper	—	12,430	—	12,430
U.S. Treasury notes	—	21,563	—	21,563
Agency securities	—	4,001	—	4,001
Mortgage-backed securities	—	117,491	—	117,491
Municipal bonds	—	1,430	—	1,430
Asset-backed securities	—	29,976	—	29,976
Total assets	\$ —	\$ 208,426	\$ —	\$ 208,426
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 8,634	\$ 8,634

We based the fair value of our fixed income securities held as of September 30, 2017 and December 31, 2016 on quoted prices in active markets for similar assets. We had no transfers between Level 1, Level 2 or Level 3 assets or liabilities during the three and nine months ended September 30, 2017 or 2016.

The following table presents changes in our contingent consideration payable for the three and nine months ended September 30, 2017 and 2016, which is categorized in Level 3 of the fair value hierarchy:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands)				
Balance, beginning of period	\$ 21,911	\$ 8,022	\$ 8,634	\$ 13,889
Issuance	—	—	18,000	—
Payments of contingent consideration	(1,184)	(2,188)	(1,907)	(2,555)
Purchase accounting adjustment	—	—	3,500	—
Change in fair value of contingent consideration	—	—	(7,500)	(5,500)
Balance, end of period	\$ 20,727	\$ 5,834	\$ 20,727	\$ 5,834

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

Note 14—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, 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, 2016. Under the fair value hierarchy, our investment securities are classified as Level 2.

Loans

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

Deposits

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

Contingent Consideration

The fair value of contingent consideration obligations, such as the earn-outs associated with our acquisitions of TPG and UniRush, are estimated through valuation models designed to estimate the probability of such contingent payments based on various assumptions. Estimated payments are discounted using present value techniques to arrive at an estimated fair value. Our contingent consideration payable is classified as Level 3 because we use unobservable inputs to estimate fair value, including the probability of achieving certain earnings thresholds and appropriate discount rates. Changes in fair value of contingent consideration are recorded through operating expenses.

Note Payable

The fair value of our note payable is based on borrowing rates currently available to a market participant for loans with similar terms or maturity. The carrying amount of our note payable approximates fair value because the base interest rate charged varies with market conditions and the credit spread is commensurate with current market spreads for issuers of similar risk. The fair value of the note payable is classified as a Level 2 liability in the fair value hierarchy.

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, 2017 and December 31, 2016 are presented in the table below.

	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Financial Assets				
Loans to bank customers, net of allowance	\$ 19,791	\$ 19,128	\$ 6,059	\$ 5,421
Financial Liabilities				
Deposits	\$ 834,684	\$ 834,638	\$ 737,414	\$ 737,356
Note payable	\$ 84,837	\$ 84,837	\$ 100,686	\$ 100,686

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

Note 15—Commitments and Contingencies*Litigation and Claims*

In the ordinary course of business, we are a party to various legal proceedings, including, from time to time, actions which are asserted to be maintainable as class action suits. We review these actions on an ongoing basis to determine whether it is probable and estimable that a loss has occurred and use that information when making accrual and disclosure decisions. We have provided reserves where necessary for all claims and, based on current knowledge and in part upon the advice of legal counsel, all matters are believed to be adequately covered by insurance, or, if not covered, we do not expect the outcome in any legal proceedings, individually or collectively, to have a material adverse impact on our financial condition or results of operations.

During the three months ended June 30, 2016, we continued our planned conversion of customer files from our legacy third-party card processor to our new third-party card processor. As part of the conversion process, a small percentage of our active cardholders experienced limited disruptions in service. As a result of this limited disruption in service, two putative class action complaints were filed during the second quarter of 2016. Any settlement amount paid to resolve the consolidated class actions will be borne equally between us and the third-party card processor. We have recorded an estimated accrual of approximately \$2.3 million, which represents our portion of the estimated total settlement amount, all of which our insurance carrier has agreed to reimburse us for. This amount is recorded in other accrued liabilities and accounts receivable on our consolidated balance sheet as of September 30, 2017.

During the six months ended June 30, 2017, we incurred approximately \$9.4 million in incremental processing expenses related to the processor conversion challenges encountered in 2016. During the three months ended September 30, 2017, we received approximately \$6.5 million as a partial recovery of these costs, which has been recorded as an offset to processing expenses on our consolidated statement of operations.

Other Matters

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.

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.

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 5 — Accounts Receivable*.

As of September 30, 2017 and December 31, 2016, we had \$0.5 million outstanding in standby letters of credit issued by a financial institution related to our corporate facility lease. We have provided cash collateral for these outstanding letters of credit as of September 30, 2017 and December 31, 2016.

As of September 30, 2017 and December 31, 2016, we had restricted cash balances of \$62.4 million and \$12.1 million. The increase in restricted cash during the nine months ended September 30, 2017 was associated with funds required to collateralize a prefunding obligation with a business partner.

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

Note 16—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 retail distributors constituting greater than 10% of our total operating revenues were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Walmart	41%	49%	39%	43%

Settlement assets derived from our products sold at retail distributors constituting greater than 10% of the settlement assets outstanding on our consolidated balance sheets were as follows:

	September 30, 2017	December 31, 2016
Walmart	36%	42%

Note 17—Segment Information

Our operations are comprised of two reportable segments: 1) Account Services and 2) Processing and Settlement Services. We identified our reportable segments based on factors such as how we manage our operations and how our chief operating decision maker views results. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings and uses operating income to assess profitability.

The Account Services segment consists of revenues and expenses derived from our branded and private label deposit account programs. These programs include Green Dot-branded and affinity-branded GPR card accounts, private label GPR card accounts, checking accounts, payroll cards and open-loop gift cards. The Processing and Settlement Services segment consists principally of revenues and expenses derived from reload services through the Green Dot Network, money processing and our tax refund processing services. The Corporate and Other segment primarily consists of eliminations of intersegment revenues and expenses, unallocated corporate expenses, depreciation and amortization, and other costs that are not considered when management evaluates segment performance. We do not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

The following tables present certain financial information for each of our reportable segments for the periods then ended:

	Three Months Ended September 30, 2017			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	\$ 170,160	\$ 39,088	\$ (7,635)	\$ 201,613
Operating expenses	135,693	39,606	13,262	188,561
Operating income	<u>\$ 34,467</u>	<u>\$ (518)</u>	<u>\$ (20,897)</u>	<u>\$ 13,052</u>

	Three Months Ended September 30, 2016			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	\$ 128,196	\$ 32,919	\$ (6,621)	\$ 154,494
Operating expenses	105,165	32,151	17,695	155,011
Operating income	<u>\$ 23,031</u>	<u>\$ 768</u>	<u>\$ (24,316)</u>	<u>\$ (517)</u>

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

Note 17—Segment Information (continued)

	Nine Months Ended September 30, 2017			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	\$ 512,967	\$ 187,862	\$ (23,667)	\$ 677,162
Operating expenses	403,906	123,287	55,350	582,543
Operating income	<u>\$ 109,061</u>	<u>\$ 64,575</u>	<u>\$ (79,017)</u>	<u>\$ 94,619</u>

	Nine Months Ended September 30, 2016			
	Account Services	Processing and Settlement Services	Corporate and Other	Total
	(In thousands)			
Operating revenues	\$ 408,445	\$ 169,546	\$ (21,985)	\$ 556,006
Operating expenses	339,276	104,193	45,699	489,168
Operating income	<u>\$ 69,169</u>	<u>\$ 65,353</u>	<u>\$ (67,684)</u>	<u>\$ 66,838</u>

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

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed to be forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continues," "endeavors," "strives," "may" and "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 United States Bank Holding Company, regulated by the Board of Governors of the Federal Reserve System and the State of Utah Department of Financial Institutions. Our mission is to reinvent personal banking for the masses.

We deploy a "Product and Platform" business strategy whereby we use Green Dot Bank and our high-scale and robust product and technology capabilities to create, design, develop and distribute our branded financial products and services through a large omni-channel consumer distribution network. Additionally, we enable other qualified and leading consumer, retail, technology and financial services companies to utilize our integrated banking and technology platform, known as our "Banking as a Service," or "BaaS Platform," to enable those "platform partners" to create, design, develop and distribute their own innovative and bespoke banking and financial products to satisfy their own business strategies.

As the regulated entity and issuing bank for all products and services we issue, whether our own or those of a platform partner, we are directly accountable for all aspects of the program's integrity, inclusive of ensuring the program's compliance with all applicable banking regulations, applicable state and federal law and our various internal governance policies and procedures related to all areas of risk and compliance, in addition to deploying enterprise-class risk management practices and procedures to ensure the program's initial and ongoing safety and soundness.

Inclusive of our approximately 100,000 retail distribution locations, plus our direct, corporate, tax preparation (ERO), online, app store and platform partner channels, we believe that our omni-channel distribution network makes us one of the most widely distributed financial services and banking franchises in the United States.

Our products and services:

We offer consumers a broad collection of financial products and services managed through several diverse business lines which are then made available to consumers through a widely-available "branchless" distribution network in the United States. Most, but not all, of the products and services we internally create and distribute are marketed under the Green Dot brand name, which we believe is both a well-known and highly trusted brand name for millions of consumers. Our branchless network consists of:

- distribution arrangements with approximately 100,000 mostly major chain retail locations, which we refer to as "retail distributors" and thousands of neighborhood Financial Service Center locations;
- several differently branded, Green Dot-owned and operated direct-to-consumer online and direct mail customer acquisition platforms;
- corporate distribution partnerships with businesses that provide payroll cards to their employees to receive wage disbursements;
- more than 25,000 small and large tax preparation companies and individual tax preparers, known as electronic return originators, or "EROs", who are able to offer our products and services to their customers through the use of various tax preparation industry software packages with which our products are integrated;

- apps compatible with the iOS and Android operating systems downloaded through the corresponding app store; and
- platform partners' distribution channels that those partners use to acquire customers for their bespoke products and services that are powered by our BaaS Platform.

Our products and services include several deposit account programs, such as network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, collectively referred to as "GPR cards," consumer checking accounts, small business checking account, network-branded gift cards (known as open-loop), secured credit cards and other financial services. We also offer several products and services that specialize in facilitating the movement cash on behalf of consumers and businesses. These products and services include: our proprietary swipe reload system for crediting cash onto an enabled payment card by swiping the payment card at the point-of-sale at any Green Dot Network participating retailer; MoneyPak, a product that allows a consumer to add funds to accounts we issue or accounts issued by affiliated United States chartered and regulated third party banks; and e-cash, a remittance product that allows a consumer to send or receive cash using a Green Dot generated bar code or claim number sent to the recipient's smartphone that is then fulfilled at a Green Dot participating retailer. We refer to these services collectively as our cash transfer products.

Our BaaS Platform:

Through our BaaS Platform, we currently power the following types of products and services on behalf of several of America's largest retail, consumer, technology and financial services companies:

- Mobile banking;
- Loan disbursement accounts;
- Spend-based Mobile P2P services;
- Money transfer services;
- General purpose reloadable prepaid cards;
- Network branded "open loop" gift cards;
- Instant payment and wage disbursement through our Simply Paid platform;
- Small business checking accounts and debit cards; and
- Consumer checking accounts.

Our products and services and BaaS Platform are divided among our two reportable segments: 1) Account Services and 2) Processing and Settlement Services. Each segment is comprised of multiple "revenue divisions" that each focus on a distinct set of products or distribution channels, as follows:

Account Services

Consumer Accounts

We offer several deposit account programs that can be acquired through our network of approximately 100,000 retail distributors and thousands of neighborhood Financial Service Center locations. These products include:

- Network-branded reloadable prepaid debit cards marketed under several leading consumer brand names, collectively referred to as GPR cards;
- An innovative checking account product, such as our GoBank product, both as a consumer checking account and a small business checking account, that allow customers to acquire and manage their checking account entirely through a mobile application available on smartphone devices; and
- Network-branded gift cards (known as open-loop) that are sold at participating retail stores.

Green Dot Direct

We also offer GPR cards, checking accounts and secured credit cards directly to consumers through several different online direct-to-consumer websites. Our direct-to-consumer websites include: greendot.com; walmartmoneycard.com; rushcard.com; accountnow.com; achievecard.com; gobank.com; and ReadyDebit.com. Additionally, we offer a secured credit card nationwide on a direct-to-consumer basis via both greendot.com/platinum and securedcardchoice.com. Designed to help people with poor or no prior credit history build a positive credit bureau report, the credit limit assigned to the card is backed by the customer's own security deposit held on deposit. Customers have the option of funding their security deposits with cash and making monthly payments through our distribution network of participating Green Dot Network retail locations.

PayCard and Corporate Disbursement

We offer payroll cards and other wage disbursement services to over 2,500 corporate customers, such as Einstein Bagels, Nordstrom and Rite Aid.

Green Dot Bank

We offer issuing, settlement and capital management services principally to support our products within our Account Service segment. Green Dot Bank, a wholly owned subsidiary, also facilitates payments and settlement services on behalf of our Processing and Settlement Services segment, inclusive of our tax processing division. Our banking services include:

- Issuing services as the payment network member bank and settlement bank for our GPR card, gift card and checking account products;
- Credit card issuing and capital lending services for our Green Dot Platinum Visa Secured Credit Card; and
- Settlement bank for our reload and tax refund services within our Processing and Settlement Services segment.

Green Dot Bank also generates interest income through management of its capital.

Products within our Account Services segment are generally issued by Green Dot Bank. As a result of acquisitions over the past few years, we also manage programs issued by third-party issuing banks.

Processing and Settlement Services

Money Processing

We offer several products and services that all specialize in facilitating the movement of funds on behalf of consumers and businesses. These products and services include:

- Our "Reload@TheRegister" swipe reload service allows consumers to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its cards to accept funds through our processing system.
- Our MoneyPak PIN product provides consumers the ability to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its cards to accept funds through our processing system.
- Our E-Cash remittance service allows consumers to add funds to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its accounts to accept funds through our processing system. Consumers can also cash-out money sent to them by a business through the use of our E-Cash service when Green Dot sends a unique barcode to the customer's smartphone device, which is then presented to a cashier at a participating retailer who then scans the barcode to authorize the cash-out.
- Our Simply Paid Disbursement service that enables wages and any type of authorized funds disbursement to be sent to accounts we issue or manage and accounts issued by any third party bank or program manager that has enabled its cards to accept funds through our processing system.

Tax Processing

We offer several services designed for participants in the tax industry. Those services include:

- Tax refund transfers that provide the processing technology to facilitate receipt of a taxpayers' refund proceeds. When a customer of a third party tax preparation provider chooses to pay their tax preparation fees using our processing services, we deduct the tax preparation service fee and our processing service fee from the customer's refund, and remit the remaining net balance to the customer per their instructions;

- Small business lending to independent tax preparation providers that seek small loans in order to help provide working capital in advance of generating income during the tax filing season;
- GPR card offerings that are integrated into the tax preparation software that enables a tax preparation provider to offer its customers a Green Dot Bank-issued GPR card for the purpose of receiving tax refunds quicker and more securely than check disbursements; and
- Fast Cash Advance, a consumer-friendly loan that enables tax refund recipients utilizing our tax processing services the opportunity to receive a portion of their expected tax refund amount in advance of receiving their actual tax refund.

2017 Six Step Plan

In February 2017, we announced our 2017 Six Step Plan (the "2017 Plan") outlining our strategy to grow revenue, reduce expenses and appropriately allocate capital, all with the objective of driving EPS growth. The following describes each of the six steps within the 2017 Plan.

Step 1: Deploy new acquisition and retention strategies to reduce the year-over-year sequential quarterly loss in active cards and return to active card growth in 2018.

Step 2: Secure additional shelf space for the new MoneyPak and launch at least one unique and compelling new MoneyPak use case to expand the total available market.

Step 3: Make investments in growing the successful new initiatives launched in 2016, while making modest investments in a new crop of high-potential initiatives that can drive future growth.

Step 4: Drive incremental platform savings across the enterprise and achieve savings from integrating the UniRush acquisition over the course of 2017.

Step 5: Continue to look for new acquisitions that are strategic, synergistic and accretive.

Step 6: Return capital to shareholders through share buy-backs.

We have either completed or are on track to complete each of the six steps by the end of 2017.

Financial Results and Trends

Our consolidated results of operations for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
(In thousands, except percentages)								
Total operating revenues	\$ 201,613	\$ 154,494	\$ 47,119	30.5%	\$ 677,162	\$ 556,006	\$ 121,156	21.8%
Total operating expenses	188,561	155,011	33,550	21.6%	582,543	489,168	93,375	19.1%
Net income	13,639	2,037	11,602	569.6%	73,659	42,945	30,714	71.5%

Total operating revenues

Our total operating revenues for the three and nine months ended September 30, 2017 were \$201.6 million and \$677.2 million, respectively, an increase of 30.5% and 21.8%, respectively, over the prior year comparable period. This is result of double digit or near double digit organic revenue growth for each of the three and nine months ended September 30, 2017, respectively, and our acquisition of UniRush, which closed on February 28, 2017. Our organic growth was driven in part by the continued trend of an improving mix in our active card portfolio toward higher revenue generating customers as compared to the prior year, improved unit economics on our new suite of prepaid card products and a 5% year-over-year increase in the number of active cards in our organic portfolio. This marks the first quarter that our organic portfolio has achieved year-over-year growth since the first quarter of 2015, when we discontinued the original MoneyPak PIN product. These factors contributed to an improvement in the quality of our active card portfolio, as evidenced by greater customer engagement through increased gross dollar volume and purchase volume on a year-over-year basis. The combination of greater utilization rates and improved unit economics resulting from our new fee policies and features primarily on our new card products that were largely rolled out during the first six months of 2016 generated greater revenue per number of active cards for our Account Services segment.

Total operating revenues also increased as a result of improved unit economics in our Processing and Settlement Services segment. Our Processing and Settlement Services segment generated greater cash transfer revenues per number of cash transfers and slight year-over-year increases in the total number of cash transfers for each of the three

and nine months ended September 30, 2017, as discussed below under *Key Metrics*. For the year, the segment also generated greater tax refund processing revenues during the nine months ended September 30, 2017, driven by a year-over-year increase in the number of tax refunds processed and higher average revenue per tax refund processed.

Total operating expenses

Our total operating expenses for the three and nine months ended September 30, 2017 were \$188.6 million and \$582.5 million, respectively, an increase of 21.6% and 19.1%, respectively, over the prior year comparable periods. These increases were principally a result of the acquisition of UniRush, higher sales and marketing expenses attributable to the year-over-year increase in organic operating revenues generated from products that are subject to revenue share payments to our distributors, and an increase in processing expenses as a result of higher transactional usage per active card within our organic portfolio, as processing fees are generally charged on a per transaction basis.

During the six months ended June 30, 2017, we incurred approximately \$9.4 million of processing expenses related to the processor conversion challenges encountered in 2016 that resulted in incremental processing charges in excess of our normalized rate. We have now resolved this matter and beginning in the third quarter of 2017, we no longer have incurred any material incremental processing expenses in excess of our normalized rate. During the three months ended September 30, 2017, we received approximately \$6.5 million as a partial recovery of these costs, which has been recorded as an offset to processing expenses on our consolidated statement of operations.

Income tax expense for the three and nine months ended September 30, 2017 was \$0.7 million and \$24.2 million, respectively, compared to a \$2.3 million income tax benefit and \$21.7 million tax expense for the three and nine months ended September 30, 2016, respectively. Income tax expense increased during the three and nine months ended September 30, 2017 as a result of generating higher taxable income, offset by a lower effective tax rate primarily due to the favorable impact of excess tax benefits as a result of our adoption of ASU 2016-09. The effective tax rate for three months ended September 30, 2017 was also favorably impacted by the release of reserves for uncertain tax positions upon the completion of tax examinations and the expiration of the statute of limitations with certain taxing jurisdictions.

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 reload transactions that we conducted through our retail distributors in a specified period. We processed 9.80 million and 9.36 million reload transactions in the three months ended September 30, 2017 and 2016, respectively, and 28.65 million and 28.42 million reload transactions in the nine months ended September 30, 2017 and 2016, respectively. We review this metric as a measure of the size and scale of our retail cash reload network and to analyze cash transfer revenue, which is a key component of our financial performance. Our cash transfers increased 5% during the three months ended September 30, 2017 over the prior year comparable period primarily due to growth in the usage of our cash transfer products by third-party programs (our network acceptance members). For the same reasons, our cash transfers increased by 1% during the nine months ended September 30, 2017 over the prior year comparable period. This increase was partially offset by a decrease in cash transfers to our organic portfolio due to the increase in direct deposit penetration in our active card portfolio as direct deposit customers, on average, perform fewer cash reloads.

Number of Tax Refunds Processed — represents the total number of tax refunds processed in a specified period through TPG. We processed 0.10 million tax refund transactions in each of the three months ended September 30, 2017 and 2016, and 11.11 million and 10.46 million tax refund transactions in the nine months ended September 30, 2017 and 2016, respectively. Due to seasonality, the number of tax refunds processed is most concentrated during the first half of each year and is minimal during the second half of each year. We review this metric as a measure of the size and scale of our tax refund processing platform and to analyze tax processing revenue. The 6% increase in the number of tax refunds processed for the nine months ended September 30, 2017 from the comparable prior year period was primarily driven by an increase of refunds processed through online tax filing software platforms, partially offset by a decrease in the number of refunds processed by traditional tax preparation providers.

Number of Active Cards — represents the total number of GPR cards and checking accounts in our portfolio that had a purchase, reload or ATM withdrawal transaction during the previous 90-day period. We had 5.23 million and 4.09 million active cards outstanding as of September 30, 2017 and 2016, respectively. We review this metric and the associated revenue per number of active cards as measures of the overall size and scale of our GPR card portfolio and to analyze trends in revenue from those active cards. The increase in the number of active cards of 28% was driven by our acquisition of UniRush, as well as a 5% year-over-year increase in the number of active cards in our

organic portfolio. This marks the first time that our organic portfolio has achieved year-over-year growth since the first quarter of 2015, when we discontinued the original MoneyPak PIN product.

Gross Dollar Volume — represents the total dollar volume of funds processed and settled by our consolidated enterprise, excluding tax refunds processed by TPG. Our gross dollar volume was \$7.9 billion and \$5.3 billion for the three months ended September 30, 2017 and 2016, respectively, and \$23.3 billion and \$17.3 billion for the nine months ended September 30, 2017 and 2016, respectively. We review this metric as a measure of the size and scale of our processing infrastructure and as an indicator of customer engagement and usage of our products and services. The increases in gross dollar volume of 47% and 35% during the three and nine months ended September 30, 2017, respectively, from the comparable prior year period was principally driven by our acquisition of UniRush and higher average gross dollar volume per active card during the periods.

Purchase Volume — represents the total dollar volume of purchase transactions made by customers using our GPR, checking account and gift card products. This metric excludes the dollar volume of ATM withdrawals. Our purchase volume was \$5.2 billion and \$3.8 billion for the three months ended September 30, 2017 and 2016, respectively, and \$15.9 billion and \$12.3 billion for the nine months ended September 30, 2017 and 2016, respectively. We use this metric to analyze interchange revenue, which is a key component of our financial performance. The increases in purchase volume of 38% and 29% during the three and nine months ended September 30, 2017, respectively, from the comparable prior year period was driven by an increase in gross dollar volume, as described above, our acquisition of UniRush and higher purchase volume per number of active cards as a result of the increasing quality of customers within our active card base.

Key Components of our Results of Operations

Operating Revenues

We classify our operating revenues into the following three categories:

Card Revenues and Other Fees — Card revenues consist of monthly maintenance fees, ATM fees, new card fees and other revenues. We charge maintenance fees on GPR cards and checking accounts, such as GoBank, 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, if applicable, when a consumer purchases a GPR card, gift card, or a checking account product. Other revenues consist primarily of revenue associated with our gift card program, transaction-based fees and fees associated with optional products or services, which we offer to cardholders from time to time.

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 products in our portfolio at any given point in time and upon the extent to which fees are waived based on various incentives provided to customers in an effort to encourage higher usage and retention. Our aggregate ATM fee revenues vary based upon the number of cardholder ATM transactions and the average fee per ATM transaction. The average fee per ATM transaction depends upon the mix of products in our portfolio at any given point in time and the extent to which cardholders use ATMs within our free network that carry no fee for cash withdrawal transactions. Our aggregate new card fee revenues vary based upon the number of GPR cards and checking accounts 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 account fees based on the product and/or the location or source where our products are purchased. Our aggregate other fees vary primarily based upon account sales of all types, gift card sales, purchase transactions and the number of active accounts in our portfolio.

Processing and Settlement Service Revenues — Processing and settlement service revenues consist of cash transfer revenues through the Green Dot Network, tax refund processing service revenues and disbursement program revenues through our SimplyPaid platform. We earn cash transfer revenues when consumers fund their cards through a reload transaction at a Green Dot Network retail location. Our aggregate cash transfer revenues vary based upon the mix of locations where reload transactions occur, since reload fees vary by location. We earn tax refund processing service revenues when a customer of a third party tax preparation provider chooses to pay tax preparation fees through the use of our tax refund processing services. We earn disbursement program fees on a per transaction basis as disbursements are made.

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.

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, checking account products 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 accounts activated by consumers.

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 processors that maintain the records of our customers' accounts and process transaction authorizations and postings for us, and the third-party banks that may issue our accounts. These costs generally vary based on the total number of active accounts in our portfolio and gross dollar volume transacted by those accounts. Also included in processing expenses are bank fees associated with our tax refund processing services. Bank fees generally vary based on the total number of tax refund transfers processed.

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, changes in contingent consideration, transaction losses (losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud), rent and utilities, and insurance. We incur telephone and communication costs primarily from customers contacting us through our toll-free telephone numbers. These costs vary with the total number of active cards in our portfolio, as do losses from customer disputed transactions, unrecovered customer purchase transaction overdrafts and fraud. Costs associated with professional services, depreciation and amortization of our property and equipment, amortization of our acquired intangible assets, 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, 2016. Except as disclosed in *Note 2 — Summary of Significant Accounting Policies* under *Recently adopted accounting pronouncements* to the Consolidated Financial Statements included herein, there have been no changes to our critical accounting policies and estimates during the nine months ended September 30, 2017.

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, 2017 and 2016

Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, processing and settlement service revenues and interchange revenues:

	Three Months Ended September 30,			
	2017		2016	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$ 100,781	50.0%	\$ 79,056	51.2%
Processing and settlement service revenues	36,681	18.2	29,898	19.4
Interchange revenues	64,151	31.8	45,540	29.4
Total operating revenues	\$ 201,613	100.0%	\$ 154,494	100.0%

Card Revenues and Other Fees — Card revenues and other fees totaled \$100.8 million for the three months ended September 30, 2017, an increase of \$21.7 million, or 27%, from the comparable prior year period. We believe this increase in revenue reflects the increasing quality of customers within our active card base and improved unit economics on our suite of prepaid card products, which increased monthly maintenance fees and ATM fees earned within our Account Services segment, combined with our acquisition of UniRush during the three months ended March 31, 2017.

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled \$36.7 million for the three months ended September 30, 2017, an increase of \$6.8 million, or 23%, from the comparable prior year period. The increase was driven primarily by a higher volume and revenue earned per cash transfer, as well as a year-over-year increase in disbursement revenues associated with our Uber program.

Interchange Revenues — Interchange revenues totaled \$64.2 million for the three months ended September 30, 2017, an increase of \$18.7 million, or 41%, from the comparable prior year period. The increase was primarily due to our UniRush acquisition and an increase in purchase volume during the three months ended September 30, 2017.

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,			
	2017		2016	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating expenses:				
Sales and marketing expenses	\$ 65,586	32.5%	\$ 56,668	36.7%
Compensation and benefits expenses	47,271	23.4	37,900	24.5
Processing expenses	34,027	16.9	25,703	16.6
Other general and administrative expenses	41,677	20.7	34,740	22.5
Total operating expenses	\$ 188,561	93.5%	\$ 155,011	100.3%

Sales and Marketing Expenses — Sales and marketing expenses totaled \$65.6 million for the three months ended September 30, 2017, an increase of \$8.9 million, or 16% from the comparable prior year period. This increase was primarily driven by a \$5.0 million increase in sales commissions associated with higher organic revenues year-over-year generated from products that are subject to revenue-sharing agreements and an increase of \$4.3 million in marketing expenses primarily driven by the acquisition of UniRush.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$47.3 million for the three months ended September 30, 2017, an increase of \$9.4 million or 25% from the comparable prior year period. The increase was primarily the result of \$5.6 million in higher salaries and wages and third party contractor expenses driven principally by our acquisition of UniRush and a \$3.1 million increase in stock-based compensation.

Processing Expenses — Processing expenses totaled \$34.0 million for the three months ended September 30, 2017, an increase of \$8.3 million or 32% from the comparable prior year period. This increase was principally the result

of our acquisition of UniRush and a higher volume of purchase and ATM transactions initiated by our cardholders, offset by a \$6.5 million net repayment of incremental processing expenses incurred during the first half of 2017 associated with our need to continue to support customer accounts on our legacy third-party card processor.

Other General and Administrative Expenses — Other general and administrative expenses totaled \$41.7 million for the three months ended September 30, 2017, an increase of \$7.0 million or 20%, from the comparable prior year period, primarily due to increases of \$2.5 million in transaction losses correlated with the increase in purchase volume, \$2.4 million in amortization of acquired intangible assets driven by the acquisition of UniRush, \$1.8 million of professional fees and \$0.9 million of telecommunication expenses. These increases were partially offset by a year-over-year decrease of \$1.0 million in depreciation and amortization of property and equipment.

Income Tax Expense

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

	Three Months Ended September 30,	
	2017	2016
U.S. federal statutory tax rate	35.0 %	35.0 %
State income taxes, net of federal tax benefit	(1.0)	331.0
General business credits	(7.8)	428.7
Employee stock-based compensation	(26.7)	(4.2)
Other	5.1	(33.4)
Effective tax rate	4.6 %	757.1 %

Our income tax expense amounted to \$0.7 million for the three months ended September 30, 2017, representing a change of \$3.0 million from the comparable prior year due to a higher pretax income on a period-over period basis, partially offset by a decrease in our effective tax rate by 752.5 percentage points. Our effective tax rate decreased primarily due to the impact of our adoption of ASU 2016-09 and the release of reserves for uncertain tax positions upon the completion of tax examinations and the expiration of the statute of limitations with certain taxing jurisdictions. Under ASU 2016-09, all excess tax benefits and tax deficiencies related to stock compensation are now recognized as income tax benefit or expense, respectively, in the income statement instead of additional paid-in capital on the consolidated balance sheets. Refer to *Note 2—Summary of Significant Accounting Policies* to the Consolidated Financial Statements included herein for additional information.

The "Other" category in our effective tax rate consists of a variety of permanent differences, none of which were individually significant.

Comparison of Nine-Month Periods Ended September 30, 2017 and 2016

Operating Revenues

The following table presents a breakdown of our operating revenues among card revenues and other fees, processing and settlement service revenues and interchange revenues:

	Nine Months Ended September 30,			
	2017		2016	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating revenues:				
Card revenues and other fees	\$ 309,090	45.6%	\$ 255,484	45.9%
Processing and settlement service revenues	179,031	26.4	152,801	27.5
Interchange revenues	189,041	28.0	147,721	26.6
Total operating revenues	\$ 677,162	100.0%	\$ 556,006	100.0%

Card Revenues and Other Fees — Card revenues and other fees totaled \$309.1 million for the nine months ended September 30, 2017, an increase of \$53.6 million, or 21%, from the comparable prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2017 and 2016—Operating Revenues—Card Revenues and Other Fees."

Processing and Settlement Service Revenues — Processing and settlement service revenues totaled \$179.0 million for the nine months ended September 30, 2017, an increase of \$26.2 million, or 17%, from the comparable

prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2017 and 2016—Operating Revenues—Processing and Settlement Service Revenues," as well as a year-over-year increase in the volume of tax refunds processed.

Interchange Revenues — Interchange revenues totaled \$189.0 million for the nine months ended September 30, 2017, an increase of \$41.3 million, or 28%, from the comparable prior year period. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2017 and 2016—Operating Revenues—Interchange Revenues."

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,			
	2017		2016	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
(In thousands, except percentages)				
Operating expenses:				
Sales and marketing expenses	\$ 207,415	30.6%	\$ 183,609	33.0%
Compensation and benefits expenses	139,355	20.6	122,079	22.0
Processing expenses	119,723	17.7	80,760	14.5
Other general and administrative expenses	116,050	17.1	102,720	18.5
Total operating expenses	\$ 582,543	86.0%	\$ 489,168	88.0%

Sales and Marketing Expenses — Sales and marketing expenses totaled \$207.4 million for the nine months ended September 30, 2017, an increase of \$23.8 million, or 13% from the comparable period in 2016. This increase was principally the result of a \$20.1 million increase in sales commissions associated with higher organic revenues year-over-year generated from products that are subject to revenue-sharing agreements and an increase of \$9.2 million in marketing expenses primarily driven by the acquisition of UniRush, partially offset by a decrease of \$5.5 million in cost of materials. In 2016, we rolled out our new suite of Green Dot branded prepaid and gift card products at our retailers resulting in incremental costs of manufacturing and distributing card packages. There were no such expenses in the current period.

Compensation and Benefits Expenses — Compensation and benefits expenses totaled \$139.4 million for the nine months ended September 30, 2017, an increase of \$17.3 million or 14% from the comparable prior year period. The increase was principally the result of \$9.6 million in higher salaries and wages driven by our acquisition of UniRush and a \$6.4 million increase in stock-based compensation expense.

Processing Expenses — Processing expenses totaled \$119.7 million for the nine months ended September 30, 2017, an increase of \$38.9 million or 48% from the comparable period in 2016. This increase was driven by the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2017 and 2016—Operating Expenses—Processing Expenses."

Other General and Administrative Expenses — Other general and administrative expenses totaled \$116.1 million for the nine months ended September 30, 2017, an increase of \$13.4 million or 13%, from the comparable period in 2016. The increase was principally the result of a \$3.5 million expense in connection with the settlement of a lawsuit and increases of \$5.7 million in amortization of acquired intangible assets associated with the acquisition of UniRush, \$5.1 million of professional fees, \$2.7 million in transaction losses correlated to the increase in purchase volume relative to the comparable prior year period and \$1.2 million of telecommunication expenses. These increases were partially offset by a year-over-year increase of \$2.0 million in gains associated with the change in fair value of contingent consideration and a decrease of \$5.5 million in depreciation and amortization of property and equipment.

Income Tax Expense

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

	Nine Months Ended September 30,	
	2017	2016
U.S. federal statutory tax rate	35.0 %	35.0 %
State income taxes, net of federal tax benefit	(0.5)	1.6
General business credits	(3.0)	(3.5)
Employee stock-based compensation	(8.2)	0.6
Other	1.4	(0.1)
Effective tax rate	<u>24.7 %</u>	<u>33.6 %</u>

Our income tax expense increased by \$2.4 million to \$24.2 million for the nine months ended September 30, 2017 from the comparable period in 2016 due to higher pretax income on a period-over period basis, partially offset by a decrease in our effective tax rate by 8.9 percentage points. Our effective tax rate decreased primarily due to the impact of the same factors discussed above under "Comparison of Three-Month Periods Ended September 30, 2017 and 2016—Income Tax Expense."

The "Other" category in our effective tax rate consists of a variety of permanent differences, none of which were individually significant.

Liquidity and Capital Resources

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

	Nine Months Ended September 30,	
	2017	2016
(In thousands)		
Total cash provided by (used in)		
Operating activities	\$ 163,348	\$ 102,034
Investing activities	(209,694)	(106,122)
Financing activities	21,935	(170,509)
Decrease in unrestricted cash and cash equivalents	<u>\$ (24,411)</u>	<u>\$ (174,597)</u>

For the nine months ended September 30, 2017 and 2016, we financed our operations primarily through our cash flows from operations and certain financing activities. At September 30, 2017, our primary source of liquidity was unrestricted cash and cash equivalents totaling \$708.3 million. We also consider our \$178.8 million of available-for-sale investment securities to be highly-liquid instruments.

We use trend and variance analysis as well as our detailed budgets and forecasts to project future cash needs, making adjustments to the projections when needed. We believe that our current unrestricted cash and cash equivalents, cash flows from operations and borrowing capacity under our senior credit facility will be sufficient to meet our working capital, capital expenditure, debt service requirements and contemplated share repurchase activities, as discussed below.

Cash Flows from Operating Activities

Our \$163.3 million of net cash provided by operating activities during the nine months ended September 30, 2017 was primarily the result of \$73.7 million of net income, adjusted for certain non-cash operating items of \$71.5 million and increases in net changes in our working capital assets and liabilities of \$18.2 million, driven principally by the utilization of our prior year income tax receivable to offset current year tax payments and the collection of short term advances from ERO tax partners, offset by timing of payments of our accounts payable and accrued liabilities. Our \$102.0 million of net cash provided by operating activities in the nine months ended September 30, 2016 was primarily the result of \$42.9 million of net income, adjusted for certain non-cash operating items of \$65.4 million. These were offset by decreases in net changes in our working capital assets and liabilities of \$6.3 million.

Cash Flows from Investing Activities

Our \$209.7 million of net cash used in investing activities in the nine months ended September 30, 2017 reflects payments related to our acquisition of UniRush of \$141.5 million (net of cash acquired), the acquisition of property and equipment of \$32.4 million and an increase of \$50.3 million in our restricted cash balances associated with funds required to collateralize a prefunding obligation with a business partner, offset by proceeds from available-for-sale investment securities, net of purchases, sales and maturities, of \$28.2 million. Our \$106.1 million of net cash used in investing activities in the nine months ended September 30, 2016 reflects payments for the acquisition of property and equipment of \$33.3 million, purchases of available-for-sale investment securities, net of sales and maturities, of \$39.1 million and an increase of \$34.3 million in our restricted cash balances.

Cash Flows from Financing Activities

Our \$21.9 million of net cash provided from financing activities during the nine months ended September 30, 2017 was primarily the result of an increase of \$97.3 million in customer deposits, offset by \$50.0 million used for repurchases under our stock repurchase program and \$16.9 million in net repayments of our notes payable. In connection with our acquisition of UniRush, we borrowed \$75 million under our Revolving Facility and issued additional subordinated notes payable of \$20 million to the selling shareholders of UniRush. These amounts were fully repaid during the nine months ended September 30, 2017. Additionally, during the nine months ended September 30, 2017, we borrowed and repaid in full an aggregate of \$335.0 million under our Revolving Facility in connection with managing our short term working capital needs.

Our \$170.5 million of net cash used in financing activities during the nine months ended September 30, 2016 was primarily the result of decreases of \$59.2 million in customer deposits and \$36.0 million in obligations to customers, \$59.0 million used for our stock repurchase program and \$16.9 million in repayments of a note payable.

Commitments

We anticipate that we will continue to purchase property and equipment as necessary in the normal course of our business. The amount and timing of these purchases and the related cash outflows in future periods is difficult to predict and is dependent on a number of factors including the hiring of employees, the rate of change of computer hardware and software used in our business and our business outlook. During the remainder of 2017, 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 have used cash to acquire businesses and technologies and we anticipate that we may continue to do so in the future. The nature of these transactions makes it difficult to predict the amount and timing of such cash requirements. We may also be required to raise additional financing to complete future acquisitions. As discussed above in *Note 3—Business Combination* to the Consolidated Financial Statements included herein, on February 28, 2017, we completed our acquisition of all the membership interests of UniRush for \$142.2 million plus a minimum \$4 million annual earn-out payment for five years following the closing. The earn-out payments will be made each year, with the minimum payment potentially becoming greater if certain revenue growth targets for the RushCard GPR card program are met in a given year, although any potential increase is not expected to be material to the overall purchase price.

Additionally, we may make periodic cash contributions to our subsidiary bank, Green Dot Bank, to maintain its capital, leverage and other financial commitments at levels we have agreed to with our regulators.

Senior Credit Facility

In October 2014, we entered into a \$225 million credit agreement with Bank of America, N.A., as administrative agent, Wells Fargo Bank, National Association, and other lenders party thereto. The agreement provides for (i) a \$75 million five-year revolving facility (the "Revolving Facility") and (ii) a five-year \$150 million term loan facility (the "Term Facility" and, together with the Revolving Facility, the "Senior Credit Facility"). At our election, loans made under the credit agreement bear interest at (1) a LIBOR rate or (2) a base rate as defined in the agreement, plus an applicable margin (3.99% as of September 30, 2017). The balance outstanding on the Term Facility was \$84.8 million and \$100.7 million at September 30, 2017 and December 31, 2016, respectively, net of deferred financing fees. Quarterly principal payments of \$5.6 million 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. There were no borrowings outstanding on our Revolving Facility at September 30, 2017. We are also subject to certain financial covenants, which include maintaining a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio at the end of each fiscal quarter, as defined in the agreement, as amended. At September 30, 2017, we were in compliance with all such covenants.

Stock Repurchase Program

In June 2015, we announced that our Board of Directors had authorized a stock repurchase program for the repurchase of up to \$150 million of our Class A common stock. We have completed our commitment to repurchase shares under this repurchase program authorization, subject to final settlement of our accelerated share repurchase entered into in March 2017, under which we made an up-front payment of \$50 million, in exchange for an initial delivery of 1.3 million shares based on our then current market price of our Class A common stock. Final settlement is scheduled to occur during the fourth quarter of 2017 and will be based on the volume-weighted average price of our Class A common stock over the term of the agreement less an agreed upon discount.

In May 2017, our Board of Directors authorized, subject to regulatory approval, expansion of our stock repurchase program by an additional \$150 million. In light of the number of new enterprise-level programs now planned to launch in late 2017 and early 2018 that may require additional capital to support our internal and regulatory capital and liquidity requirements, management and our Board of Directors do not intend to seek regulatory approval until such time we believe capital levels are ample to support a repurchase program, which we believe would be, at the earliest, in the latter part of 2018.

Contractual Obligations

There have been no material changes in our contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Off-Balance Sheet Arrangements

As of and for the nine months ended September 30, 2017 and 2016, 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

Our subsidiary bank, Green Dot Bank, is a member bank of the Federal Reserve System and our primary regulators are the Federal Reserve Board and the Utah Department of Financial Institutions. We are subject to various regulatory capital requirements administered by the banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines, we must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

In July 2013, the Federal Reserve and other U.S. banking regulators approved final rules regarding new risk-based capital, leverage and liquidity standards, known as "Basel III." The Basel III rules, which became effective for us and our bank on January 1, 2015, are subject to certain phase-in periods that occur over several years. The U.S. Basel III rules contain new capital standards that change the composition of capital, increase minimum capital ratios and strengthen counter-party credit risk capital requirements. The Basel III rules also include a new definition of common equity Tier 1 capital and require that certain levels of such common equity Tier 1 capital be maintained. The rules also include a new capital conservation buffer, which impose a common equity requirement above the new minimum that can be depleted under stress, and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances, as well as a new standardized approach for calculating risk-weighted assets. Under the Basel III rules, we must maintain a ratio of common equity Tier 1 capital to risk-weighted assets of at least 4.5%, a ratio of Tier 1 capital to risk-weighted assets of at least 6%, a ratio of total capital to risk-weighted assets of at least 8% and a minimum Tier 1 leverage ratio of 4.0%.

As of September 30, 2017 and December 31, 2016, we were categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," we must maintain specific total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since September 30, 2017 which management believes would have changed our category as "well capitalized."

The definitions associated with the amounts and ratios below are as follows:

Ratio	Definition
Tier 1 leverage ratio	Tier 1 capital divided by average total assets
Common equity Tier 1 capital ratio	Common equity Tier 1 capital divided by risk-weighted assets
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets
Total risk-based capital ratio	Total capital divided by risk-weighted assets

Terms	Definition
Tier 1 capital and Common equity Tier 1 capital	Primarily includes common stock, retained earnings and accumulated OCI, net of deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles. Under the regulatory capital rules, certain deductions and adjustments to these capital figures are phased in through January 1, 2018.
Total capital	Tier 1 capital plus supplemental capital items such as the allowance for loan losses, subject to certain limits
Average total assets	Average total consolidated assets during the period less deductions and adjustments primarily related to goodwill, deferred tax assets and intangibles assets
Risk-weighted assets	Represents the amount of assets or exposure multiplied by the standardized risk weight (%) associated with that type of asset or exposure. The standardized risk weights are prescribed in the bank capital rules and reflect regulatory judgment regarding the riskiness of a type of asset or exposure

The actual amounts and ratios, and required "well capitalized" minimum capital amounts and ratios at September 30, 2017 and December 31, 2016 were as follows:

September 30, 2017				
Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum	
(In thousands, except ratios)				
Green Dot Corporation:				
Tier 1 leverage	201,931	15.8%	4.0%	n/a
Common equity Tier 1 capital	201,931	44.6%	4.5%	n/a
Tier 1 capital	201,931	44.6%	6.0%	6.0%
Total risk-based capital	204,770	45.3%	8.0%	10.0%
Green Dot Bank:				
Tier 1 leverage	91,528	11.2%	4.0%	5.0%
Common equity Tier 1 capital	91,528	42.8%	4.5%	6.5%
Tier 1 capital	91,528	42.8%	6.0%	8.0%
Total risk-based capital	91,765	42.9%	8.0%	10.0%
December 31, 2016				
Amount	Ratio	Regulatory Minimum	"Well-capitalized" Minimum	
(In thousands, except ratios)				
Green Dot Corporation:				
Tier 1 leverage	332,101	24.3%	4.0%	n/a
Common equity Tier 1 capital	332,101	61.0%	4.5%	n/a
Tier 1 capital	332,101	61.0%	6.0%	6.0%
Total risk-based capital	333,288	61.2%	8.0%	10.0%
Green Dot Bank:				
Tier 1 leverage	139,491	17.0%	4.0%	5.0%
Common equity Tier 1 capital	139,491	54.8%	4.5%	6.5%
Tier 1 capital	139,491	54.8%	6.0%	8.0%
Total risk-based capital	139,768	54.9%	8.0%	10.0%

The year-over-year decline in the capital ratios of Green Dot Corporation was primarily driven by the acquisition of UniRush in February 2017 as goodwill and intangible assets acquired reduce common equity Tier 1 capital, Tier 1 capital and total capital. Additionally, our regulatory capital decreased as a result of our \$50 million ASR initiated in March 2017.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential for economic losses from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. We believe that we have limited exposure to risks associated with changes in foreign currency exchange rates, interest rates and equity prices. We have no significant foreign operations. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Interest rates

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 September 30, 2017, we had \$84.8 million in total debt outstanding under our \$225.0 million credit agreement. Refer to *Note 9 — Note Payable* 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 September 30, 2017, 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 do have exposure to credit and liquidity risk associated with the financial institutions that hold our cash and cash equivalents, restricted cash, available-for-sale investment securities, settlement assets due from our distribution partners and amounts due from third-party 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 institutions and does not allow investments in what we consider to be high risk 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 distribution partners is mitigated due to the short time period, currently an average of two days that distributor settlement assets are outstanding. We perform an initial credit review and assign a credit limit to each new distribution partner. We monitor each distribution partner'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 Enterprise Risk Management Committee is responsible for monitoring our distribution partner exposure and assigning credit limits and reports regularly to the audit committee of our board of directors.

ITEM 4. Controls and Procedures

Disclosure controls and procedures — Our management, with the participation of our 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, 2017 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.

PART II

ITEM 1. Legal Proceedings

Refer to *Note 15 — 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 other 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. and State Treasuries;
- 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 distributors through which we sell our products and services;
- lower than expected revenues or profit margins from new programs;
- the timing of commencement, renegotiation or termination of relationships with significant distributors and network acceptance members;
- the timing of commencement of new product development and initiatives, the timing of costs of existing product roll-outs to new distributors and the length of time we must invest in those new products, channels or distributors before they generate material operating revenues;
- our ability to effectively sell our products through online and direct mail marketing initiatives;
- changes in our or our competitors' pricing policies or sales terms;
- risk of disintermediation from new products offered by competitors, new technologies that render our products and services less useful or relevant or new methods of doing things for which customers currently use our products and services;
- changes in federal or state laws or regulations that could restrict or eliminate our ability to operate our business as currently conducted or as proposed to be conducted;
- lack of required regulatory approval or receipt of regulatory sanctions that could restrict or eliminate our ability to operate our business as currently conducted or as proposed to be conducted;
- data breaches or other compromises of our information security controls, which could result in regulatory sanctions, fines, loss of business contracts, loss of consumer confidence in our products or services or long-term reputational damage to our business, brands and operations;
- failure of key vendors upon which we rely to provide uninterrupted service to our customers, thereby causing us to breach our service level obligations to our customers and business partners or fail to meet minimum regulatory service requirements;
- risks and uncertainties involving acquisitions of companies that result in accounting charges related to the impairment of goodwill and other intangible assets;

- failure to recruit or retain qualified executive and staff talent required to properly develop and execute our long term strategic requirements or the day-to-day operations of the company;
- significant changes in our risk policies and controls;
- the amount and timing of costs related to fraud losses;
- the amount and timing of commencement and termination of major advertising campaigns, including sponsorships;
- the amount and timing of costs related to the development or acquisition of businesses;
- the amount and timing of costs of any major litigation to which we are a party;
- disruptions in the performance of our products and services and the associated financial impact thereof;
- the amount and timing of capital expenditures and operating costs related to the maintenance and expansion of our business, operations and infrastructure;
- our ability to control costs, including third-party service provider costs 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; 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.

The loss of operating revenues from Walmart or any of our largest retail distributors would adversely affect our business.

A significant portion 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 was approximately 41% and 39% for the three and nine months ended September 30, 2017, respectively. We expect that Walmart will continue to have a significant impact on our operating revenues in future periods, particularly in our Account Services segment. It would be difficult to replace Walmart and the operating revenues derived from products and services sold at its stores. Accordingly, the loss of Walmart would have a material adverse effect on our business and results of operations. 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 our four largest retail distributors have terms that expire at various dates through 2021, and 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, and our inability or unwillingness to agree to requested pricing changes, be terminated by these retail distributors on relatively short notice. There can be no assurance that we will be able to continue our relationships with our largest retail distributors on the same or more favorable terms in future periods or that our relationships will continue beyond the terms of our existing contracts with them. Our operating revenues and results of operations 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 the performance of our Processing and Settlement Services segment 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 services to their customers, our tax refund processing services business, a component of our Processing and Settlement Services segment, results of operations and financial condition would be harmed. Substantially all the revenues we generate from our tax refund processing services business 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 of our relationships 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.

Most of our operating revenues are derived from our products and services sold at the stores of our retail distributors. In addition, a large portion of our Processing and Settlement Services revenues are dependent on tax preparation partners as the revenues we generate from our tax refund processing services are 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 and services, including competing prepaid cards and tax refund processing 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 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 and operating expenses may also be negatively affected by 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 and we may incur additional merchandising costs to ensure our products are appropriately stocked. 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 processing 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.

We make significant investments in our business that may not be successful, and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.

Our prospects for growth depend on our ability to innovate. As such, we have made and could make significant investments in our business where the return on those investments are highly speculative given the fast paced evolving nature of the payments industry. The return on our investments may be lower than we expect, take longer to materialize than we expect or may never be realized. 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, even if widely adopted, may not be profitable, causing us to lose money, and even if they are profitable, may cause lower operating margins than we have today or have experienced in the past. If new products or services have negative margins combined with high scale customer adoption, our business, financial condition and results of operations could be materially adversely impacted.

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 total operating revenues 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 delays in implementing or realizing expected benefits from revenue growth initiatives, increased competition within the store locations of many of our largest retail distributors and reputational damage and unreimbursed losses associated with disruption in the performance of our products and services.

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 customers. As a result, our results of operations could vary materially from period to period based on the degree to which we are successful in increasing card usage and cardholder retention and attracting long-term users of our products.

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

Seasonal fluctuations in the use of our products and services impact our results of operations and cash flows.

Our results of operations and cash flows vary from quarter to quarter, and periodically decline, due to the seasonal nature of the use of our products and services. For example, in recent years, our results of operations for the first half of each year 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. Additionally, our tax refund processing services business is highly seasonal as it generates the substantial majority of its revenues in the first quarter, and substantially all of its revenues in the first half of each calendar year. To the extent that seasonal fluctuations become more pronounced, or are not offset by other factors, our results of operations and cash flows from operating activities could fluctuate materially from period to period.

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

The prepaid financial services and tax refund services industries are highly competitive and include a variety of financial and non-financial services vendors. We expect conditions in the markets in which we compete will remain highly competitive. For example, Walmart, CVS and other retail distributors have been selling competitive products at their store locations for the past several years. Competition is expected to negatively impact our operating revenues, 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, results of operations and financial condition. Our current and potential competitors include:

- prepaid card program managers, such as American Express, First Data, Total Systems Services, and traditional banks, such as J.P. Morgan Chase;
- reload network providers, such as Visa, Western Union and MoneyGram;
- prepaid card distributors, such as InComm and Blackhawk Network; and
- providers of tax refund processing 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 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. We also face actual and potential competition from retail distributors or from other companies 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 processing 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 and secured card products are designed to compete directly with traditional service providers, such as banks and credit card companies, by providing products and services that they have traditionally provided. These and other competitors in the larger electronic payments industry are introducing innovative products and services that may compete with ours. We expect that this competition will continue as the prepaid financial services industry and the larger banking and electronic payments industry continue to evolve. We also expect to compete with businesses outside the traditional tax refund processing services industry in the future as new entrants seek to develop software solutions that may replace the need for our tax refund processing 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 also experience increased price competition. If this happens, we expect that the purchase and use of our products and services would decline. 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 results of operations.

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 or tax refund processing services.

If we fail to compete effectively against these competitors, our revenues, results of operations, prospects for future growth and overall business 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 involve a number of special risks and challenges, including:

- increased regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies at the acquired company;
- diversion of management time and focus from operation of our then-existing business;
- integration and coordination of product, sales, marketing, program and systems management functions;
- transition of the acquired company's users and customers onto our systems;
- integration of the acquired company's accounting, information management, human resource and other administrative systems and operations generally with ours;
- integration of employees from the acquired company into our organization;
- loss or termination of employees, including costs associated with the termination or replacement of those employees;
- 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 special risks 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, risk management systems, 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. Furthermore, acquisitions and investments are often speculative in nature and the actual benefits we derive from them could be lower or take longer to materialize than we expect.

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 goodwill impairment charges, any of which could harm our financial condition and negatively impact our stockholders.

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 processing 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, checking accounts or customer information. Illegal activities involving our products and services 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 transaction processing services, which subjects us and our customers to risks related to the vulnerabilities of those third parties. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, have in the past and could in the future result in reputational damage to us. Such damage 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, results of operations and financial condition.

In addition, to address the challenges we face with respect to fraudulent activity, we have implemented 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 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 the State of Utah Department of Financial Institutions and must comply with applicable regulations and other commitments we have agreed to. 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 or our subsidiary bank fail to comply with minimum capital and leverage requirements the Federal Reserve Board may limit our ability to pay dividends or fund stock repurchases, or if we become less than adequately capitalized, require us to provide additional capital to our subsidiary bank. 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.

A substantial portion of Green Dot Bank's deposit liabilities may be classified as brokered deposits, and the failure by Green Dot Bank to maintain its status as a "well-capitalized" institution could have a serious adverse effect on Green Dot Bank's ability to conduct key portions of its current deposit-taking activity.

On January 5, 2015, the FDIC published industry guidance in the form of Frequently Asked Questions ("FAQs") with respect to, among other things, the categorization of deposit liabilities as "brokered" deposits. This guidance was later supplemented on November 13, 2015, and June 30, 2016. Based on this guidance, a vast majority of Green Dot Bank's deposits will be classified as brokered unless we are able to receive a ruling from the FDIC to the contrary. Under banking regulation, if Green Dot Bank ceases to be categorized as "well capitalized," it could be prohibited from accepting, renewing or rolling over brokered deposits without the consent of the FDIC. In such a case, the FDIC's refusal to grant consent to our accepting, renewing or rolling over brokered deposits could materially adversely affect the financial condition and operations of Green Dot Bank and the Company and could effectively restrict the ability of Green Dot Bank to operate its business lines as presently conducted.

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 banking services, prepaid financial services and tax refund processing 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 the industries in which we participate could cause our products and services to be subject to additional laws and regulations, which could make our products and services less profitable.

If additional regulatory requirements were imposed on the sale of our products and services and our bank, 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 products and services through that noncompliant retail distributor or tax preparation partner, which could have a material adverse effect on our business, financial position and results of operations.

State and federal legislators and regulatory authorities are 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.

If 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, limitations placed on fees we charge or the disclosures that must be provided with respect to our products and services could increase our costs and decrease our operating revenues.

Changes in laws and regulations, or our failure to comply with existing laws and regulations, applicable to our tax refund-related services could have a material adverse effect on our business, prospects, results of operations, and financial condition.

We derive a significant portion of our total operating revenues and earnings from tax refund processing and settlement services. The tax preparation industry is regulated under a variety of statutes in addition to those regulations currently applicable to our prepaid products and services, all of which are subject to change and which may impose significant costs, limitations or prohibitions on the way we conduct or expand our tax refund processing and related services. In recent years, state legislators, state attorneys general, and regulators have increased their focus on the tax preparation industry including tax refund processing services and the use thereof by tax preparation firms. Laws making such services less profitable, or even unprofitable, could be passed in any state at any time or existing laws could expire or be amended, any of which could have a material adverse effect on our business, prospects, results of operations, and financial condition. State regulators have broad discretionary power and may impose new requirements, interpret or enforce existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes, and state attorneys general could take actions, that affect the way we offer our tax refund-related services and may force us to terminate, modify, or cease our operations in particular states. State or federal regulators could also impose rules that are generally adverse to our tax refund-related services. Any new requirements or rules, or new interpretations of existing requirements or rules, or failure to follow requirements or rules, or future lawsuits or rulings, could have a material adverse effect on our business, prospects, results of operations, and financial condition.

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 processing 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 and MasterCard PTS. 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 may increase the fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, results of operations and financial condition.

Furthermore, a substantial portion of our operating revenues is derived from interchange fees. For the three months ended September 30, 2017, interchange revenues represented 31.8% 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 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 issue guidance in our quarterly earnings conference calls, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which constitutes forward-looking statements, is based upon a number of management's 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. While we have stated and we intend to continue to state possible outcomes as high and low ranges that are intended to provide a sensitivity analysis as variables are changed, 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.

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. 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. We also depend on third-party banks to assist with our tax refund processing services. It would be difficult to replace some of our third-party vendors 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 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. If consumers do not continue or increase their usage of prepaid cards, including making changes in the way prepaid cards are loaded, our operating revenues may remain at

current levels or decline. Any projected growth for the industry 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.

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers.

Our ability to provide reliable service to customers 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 in our branded and private label account programs, as well as our processing and settlement services, depends upon the efficient and error-free handling of the money that is a) collected by our retail distributors and remitted to network acceptance members or the banks that issue our cards, b) remitted from the IRS and states to taxpayers, tax refund preparation partners and the third party processors and c) incoming via direct deposit, such as a customer's payroll check. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our retail distributors, tax refund preparation partners, our network acceptance members and third-party processors to process and facilitate these transactions in an efficient, uninterrupted and error-free manner. Their failure to do so could materially and adversely impact our operating revenues and results of operations, particularly during the tax season, when we derive substantially all of operating revenues for our tax refund processing services and a significant portion of our other operating revenues.

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 in mitigating these risks, and we may experience other problems unrelated to system failures. For example, in May 2016 some customers experienced disruptions in service in connection with our ongoing processor conversion despite significant investments in planning and testing on the part of us and our new third-party processor. 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.

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, 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, third-party processors or the merchants that accept our cards 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, including additional costs for replacement cards, manufacturing, distribution, re-stocking fees, fraud monitoring and other added security measures, amongst others, 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 securities class actions and other litigation or regulatory or judicial proceedings or investigations. The outcome of litigation and regulatory or judicial proceedings or investigations is difficult to predict. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts, 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, tax preparation partners, 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, MoneyPak, TPG, Simply Paid and other brands and marks 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 8 issued patents and 17 patent applications 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.

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 customer accounts.

Fraudulent activity involving our products may lead to customer 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 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.

An impairment charge of goodwill or other intangible assets 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 portion of our consolidated assets. Our net goodwill and intangible assets were \$590.6 million as of September 30, 2017. Under accounting principles generally accepted in the United States, or U.S. GAAP, 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 fair value, legal and regulatory factors, operating performance indicators, competition and other factors.

U.S. GAAP requires us to assign and then test goodwill at the reporting unit level. If over a sustained period of time we experience a decrease in our stock price and market capitalization, which may serve as an estimate of the fair value of our reporting unit, this may be an indication of impairment. If the fair value of our reporting unit is less than its net book value, we may be required to record goodwill impairment charges in the future. In addition, if the revenue and cash flows generated from any of our other intangible assets is not sufficient to support its net book value, we may be required to record an impairment charge. The amount of any impairment charge 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. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of, and access to, new technologies. We expect that new services and technologies applicable to our industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently utilize in our products and services. Additionally, we may make future investments in, or enter into strategic alliances to develop, new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. However, our ability to transition to new services and technologies that we develop may be inhibited by a lack of industry-wide standards, by resistance from our retail distributors, network acceptance members, third-party processors or consumers to these changes, or by the intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards. These initiatives are inherently risky, and they may not be successful or may have an adverse effect on our business, financial condition and results of operations.

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

Traditionally, the majority of our business has been conducted through retail distributors that market and/or offer our products and services to consumers at their store locations. Under our evolving business model, we are increasingly conducting business through a variety of other distribution partners, such as 1099 distribution partners. Our retail distributors and other distribution partners remit these funds directly to the issuing bank funds collected from our customers or owed to our customers. The remittance of these funds by the retail distributor or other distribution partner takes on average two business days. If a retail distributor or other distribution partner becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit proceeds to the issuing bank, we are liable for any amounts owed to our customers. As of September 30, 2017, we had assets subject to settlement risk of \$163.9 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 and other distribution partners 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 become uncertain or deteriorate, 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.

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

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 have experienced transitions among our executive officers, including the departures and subsequent appointments of two executive officers since August 31, 2016. In February 2017, we also announced that our Chief Financial Officer intends to step down from his role upon his successor being appointed. If we fail to manage these transitions successfully, we could experience significant delays or difficulty in the achievement of our development and strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed. 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 convertible or other 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.

Our business could be negatively affected as a result of actions of stockholders.

The actions of stockholders could adversely affect our business. Specifically, certain actions of certain types of stockholders, including without limitation public proposals, requests to pursue a strategic combination or other transaction or special demands or requests, could disrupt our operations, be costly and time-consuming or divert the attention of our management and employees and increase the volatility of our stock. In addition, perceived uncertainties as to our future direction in relation to the actions of our stockholders may result in the loss of potential business opportunities or the perception that we are unstable and need to make changes, which may be exploited by our competitors and make it more difficult to attract and retain personnel as well as customers, service providers and partners. Actions by our stockholders may also cause fluctuations in our stock price based on speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of 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 southern California near known earthquake fault zones. 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. GAAP. If we are unable to maintain adequate internal control over financial reporting, we might be unable to report our financial information on a timely basis and might suffer adverse regulatory consequences or violate NYSE listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. We have in the past and may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action, and could require us to restate, our financial 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 and banking regulators) 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 a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio 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;
- 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;
- business disruptions and costs related to shareholder activism;
- 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;
- 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.

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

Issuer Purchases of Equity Securities (in millions, except per-share amounts) during the three months ended September 30, 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2017 to July 31, 2017	—	—	—	\$ —
August 1, 2017 to August 31, 2017	—	—	—	—
September 1, 2017 to September 30, 2017	—	—	—	—
Total	—	—	—	\$ —

In March 2017, we entered into an ASR to purchase \$50 million of our Class A common stock. In exchange for an up-front payment of \$50 million, we received an initial delivery of approximately 1.3 million shares. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, will be determined at the end of the applicable purchase period based on the volume-weighted average price of our common stock during that period less an agreed upon discount and subject to adjustments pursuant to the terms and conditions of the agreement. The ASR purchase period will end in November 2017.

After giving effect to our share repurchases completed to date, we have completed all share repurchases under our current board authorization, subject to final settlement of our March 2017 ASR.

ITEM 5. Other Information

None

ITEM 6. Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Description of Exhibits
31.1	Certification of Steven W. Streit, Chief Executive Officer, 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 Mark Shifke, 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, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Mark Shifke, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

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

