GREEN DOT CORP
Form PRRN14A
April 19, 2016

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. 2)

Filed by the Registrant o

Filed by a Party other than the Registrant x

Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule14a-6(e)(2))

¨ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Under Rule 14a-12

GREEN DOT CORPORATION
(Name of Registrant as Specified in Its Charter)

HARVEST SMALL CAP PARTNERS MASTER, LTD.
HARVEST SMALL CAP PARTNERS, LP
HSCP STRATEGIC I, LP
HARVEST FINANCIAL PARTNERS, LP
HARVEST CAPITAL STRATEGIES LLC
JEFFREY B. OSHER
DONALD DESTINO
CRAIG BAUM
SATURNINO FANLO
GEORGE W. GRESHAM
PHILIP B. LIVINGSTON
(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(5) Total fee paid:

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(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

PRELIMINARY COPY SUBJECT TO COMPLETION
DATED APRIL 19, 2016

HARVEST SMALL CAP PARTNERS MASTER, LTD.

__________________, 2016

Dear Fellow Green Dot Shareholders:

Harvest Small Cap Partners Master, Ltd. (together with its affiliates, "Harvest" or "we") and the participants in this solicitation are the beneficial owners of an aggregate of 4,715,690 shares of Class A Common Stock, par value $0.001 per share (the "Common Stock"), of Green Dot Corporation, a Delaware corporation ("Green Dot" or the "Company"), representing approximately 9.4% of Green Dot's outstanding shares and making us the Company's largest shareholder.

"Part of being a CEO is you have to evaluate yourself and your other C levels to say, 'hey, are we here out of habit or are we truly the best people for the job at any given point in time.'"
- Steve Streit, Green Dot's Founder, Chief Executive Officer, Chairman, & President1

Steve Streit's entrepreneurial accomplishments are too numerous to list, and he deserves immense credit for building Green Dot from its inception in 1999 to its initial public offering ("IPO") in 2010. He is a masterful orator who made a commendable transition from radio disc jockey to public company CEO. Green Dot would not be the leading brand for un-banked and under-banked consumers if not for the vision and passion of Mr. Streit. However, as Mr. Streit astutely noted, most successful businesses reach a juncture when shareholders are best served by the entrepreneurial founder passing the baton to an experienced and proven operator. If Green Dot were still a small, high-growth start-up, we believe Mr. Streit would be an effective leader. However, Green Dot's leadership needs have changed as the Company has evolved from a monoline general purpose reloadable ("GPR") debit card provider into a complex public organization with multiple business units and over 1,000 employees. The Green Dot of today requires a proven leader who can deliver consistent performance for shareholders. We believe Mr. Streit has unequivocally proven over many years that he is no longer the right person to lead Green Dot.

For too long, Green Dot shareholders have suffered mightily under Mr. Streit's leadership and a board of directors (the "Board") that we believe has blatantly disregarded the best interests of shareholders. In our view, Mr. Streit and other long-tenured directors are preventing Green Dot from capitalizing on meaningful opportunities in the evolving payments industry. As such, we are seeking your support for the election of our three highly qualified nominees, Saturnino Fanlo, George W. Gresham, and Philip B. Livingston, to the Board at the Company's upcoming 2016 Annual Meeting of Shareholders (the "Annual Meeting"). Although the election of our nominees to the Board at the Annual Meeting would not remove Mr. Streit as CEO and may not result in his termination as CEO, given that our nominees would only constitute a minority of the Board, we believe it would demonstrate a vote of no confidence in Mr. Streit's ability to lead the Company.

By way of brief background, Harvest is a 16-year-old investment firm that invests in misunderstood and undervalued businesses with capable, well-aligned fiduciaries, who are focused on long-term value creation. We partner with our management teams to understand their company's business models, management's strategic decisions, and why the subsequent financial results look like they do. We are supportive and patient investors. In the 16-year history of our firm, spanning hundreds of investments, Green Dot is the only company with leadership and execution shortcomings that we have found to be so problematic that we were compelled to take our concerns to the Board, and ultimately to shareholders.

Undertaking a proxy contest is the last resort for an investment firm like Harvest, whose history and reputation is that of a long-term, passive investor. That we have taken this extraordinary step should tell you a great deal about our level of conviction in the opportunity we see to substantially increase value at Green Dot. You should understand that Harvest, itself, is in no way trying to take, or assert, control over Green Dot by nominating a slate of director candidates. Rather, we are providing a democratic forum so that shareholders can have a voice in the election of a minority slate of three directors. If our nominees are elected, we would expect our three nominees to independently carry out their respective fiduciary duties to shareholders, and Harvest's intention would be to revert to our traditional role as a long-term, passive investor in Green Dot.

We have been patient and long-term shareholders of the Company, having initially invested in Green Dot in late 2012. For more than a year, we have tried to engage constructively with members of the management team and Board to discuss our views and concerns regarding the direction of the Company under the leadership of Mr. Streit, as well as the opportunities that we believe will create value for Green Dot shareholders. Unfortunately, the Board has repeatedly refused to acknowledge our serious concerns, showing no inclination, in our view, to pursue a shareholder-oriented mindset until we went public with our issues this past January. While the Board has recently chosen to adopt several of our financial proposals, it has unfortunately been unwilling to embrace the level of change that we believe is required to reverse the Company's severe underperformance and begin rebuilding sustainable shareholder value. Meanwhile, Mr. Streit has demonstrated an apparent disregard for shareholder rights and has taken an aggressive stance to maintain the status quo by resorting to certain backhanded maneuvers in an effort to scare us away and thwart an objective assessment of his performance. The Board's refusal to meaningfully engage with us, despite our long-term, good faith efforts, has only enhanced our belief that immediate leadership change is required. We have little confidence that the Board, as currently constituted, will take the necessary steps to hold Mr. Streit accountable for Green Dot's poor performance or to execute on value creation opportunities.

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1 JP Morgan Global TMT Conference, 5/15/13.

Putting aside the long-term record of mismanagement, Green Dot otherwise possesses all of the components of a successful company: stable unit economics, industry-leading brands, a large and growing addressable market, diverse opportunities for accretive capital allocation, strong cash flow generation and a talented team of employees. Despite the attractive opportunities to create shareholder value, Green Dot investors have suffered significantly over the five years ending December 31, 2015, under the direction of Mr. Streit and under the watch of the current Board and its Committee Chairs. Over this period, Green Dot's stock has underperformed its original self-selected peer group by 274%, its revised peer group by 184%, and has experienced an absolute stock price decline of 71%.1 It should be no surprise that we are deeply concerned by the current Board's failure to address the Company's prolonged underperformance and its seeming inability to hold Mr. Streit accountable for his lamentable track record.

The upcoming Annual Meeting represents a seminal opportunity for shareholders to express their extreme dissatisfaction with the status quo and make an indelible statement that leadership change is mandatory by voting to elect our three highly qualified nominees at the Annual Meeting. Since Mr. Streit is one of the three Green Dot directors up for election at the Annual Meeting, in addition to electing our nominees to the Board, the Annual Meeting presents a critical opportunity that occurs only once every three years for shareholders to unequivocally show their lack of confidence in Mr. Streit. Shareholders will have the unique opportunity to not only demonstrate their disapproval for Mr. Streit's long-term performance, but also to send a clear message that he must be replaced with a proven, transformational leader who is capable of delivering on strategic initiatives and unlocking the substantial value trapped in Green Dot. We cannot guarantee that the full leadership changes we are seeking at Green Dot will occur, even if all three of our nominees are elected, considering the Board is comprised of ten directors. However, we believe that a strong vote for the election of our nominees at the Annual Meeting should place substantial pressure on the Board to reconsider whether the baton must be passed to a more experienced CEO. Our campaign is a referendum on the current leadership at the Company.

We are therefore seeking your support at the Annual Meeting to elect our three highly qualified director candidates who possess considerable credibility, decades of relevant experience, talent, and above all else, a deep commitment to shareholder-alignment, which are attributes that we believe are sorely lacking from today's Board. Our nominees include the former CFO of NetSpend; former CEO of KKR Financial, Treasurer of Wells Fargo, and current President & CFO of Social Finance (SoFi); and a long-time public company board leader and executive. Harvest methodically recruited each of the following nominees for specific skill sets and industry expertise that Harvest believes have been lacking for too long on the Green Dot Board.

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2 Bloomberg. Relative performance is calculated as Green Dot's total return in the five years ending 12/31/15, less the total return of the comparable peer group. Green Dot's original, Company-selected peer group provided in its 2013 and 2014 Proxy Statements consisted of Alliance Data Systems, Capital One Financial, Discover Financial, Euronet Worldwide, Global Cash Access, Global Payments, Heartland Payment Systems, Mastercard, MoneyGram, NetSpend, Total System Services, Visa, Western Union, and Wright Express. The Company's revised peer group provided in Green Dot's 2015 Proxy Statement consisted of Blackhawk Network, Cardtronics, Cash America International, Cass Information Systems, Euronet Worldwide, EZCorp, Global Cash Access, Heartland Payment Systems, Jack Henry & Associates, MoneyGram, Regional Management, WEX, and World Acceptance.

Saturnino "Nino" Fanlo has over 30 years of industry experience in financial services, banking, and capital markets. Since 2012, Mr. Fanlo has served as President and Chief Financial Officer of Social Finance, Inc. (a/k/a "SoFi"), a marketplace lender and financial services company with over $8 billion in loans funded to date. Prior to SoFi, Mr. Fanlo served as Senior Advisor at Golden Gate Capital, a San Francisco-based private equity firm, from 2009 to 2011. Previously, Mr. Fanlo was a Partner at Kohlberg Kravis Roberts & Co. (currently KKR & Co. L.P.), where he led the Company's fixed income business and served as Chief Executive Officer and a director of NYSE listed KKR Financial Holdings LLC, from 2004 to 2008. Prior to KKR, Mr. Fanlo served in prominent positions for 10 years at Wells Fargo & Company ("Wells Fargo"), including Executive Vice President and Treasurer from July 2000 to June 2004. As Treasurer of Wells Fargo, Mr. Fanlo was responsible for overseeing the firm's investment portfolio, Treasury regulatory matters, dividend policy, and rating agency interaction. Mr. Fanlo founded the Principal Investments Group and Sutter Advisors LLC, a registered investment advisor and wholly-owned subsidiary of Wells Fargo. Previously, Mr. Fanlo served as Vice President at Goldman Sachs Group, Inc., from 1990 to 1995, where he was responsible for the Commercial Mortgage Backed Securities desk. Mr. Fanlo's prior investment banking and asset management experience also include roles at Credit Suisse Group AG, Metropolitan Life Insurance Company and Australian Capital Equity Pty Ltd. Mr. Fanlo earned his B.A. in Economics from Haverford College.

George W. Gresham has an outstanding background in the payments and financial services industries, previously serving as the chief financial officer of three publicly traded companies. Mr. Gresham has extensive experience building, leading, and advising enterprises through complex transactions, restructurings, international expansion, capital market transactions and changing regulatory landscapes. From May 2010 through June 2013, Mr. Gresham served as the Chief Financial Officer and Executive Vice President of NetSpend Holdings, Inc. ("NetSpend"), a provider of general purpose reloadable prepaid accounts, where he played an integral role in the successful $1.4 billion sale of NetSpend to Total System Services, Inc. in June 2013. From February 2008 to May 2010, Mr. Gresham served as Chief Financial Officer and Executive Vice President of Global Cash Access, Inc. (n/k/a Everi Holdings Inc.), which was a $700 million multinational enterprise engaged in providing specialty merchant payment processing solutions to operators of gaming properties. From May 2002 until October 2007, Mr. Gresham served as Chief Financial Officer, Chief Administrative Officer and Executive Vice President of eFunds Corporation, a company that specialized in providing multinational enterprises with complex payment and payments-related technology solutions. Mr. Gresham also served as the Chairman of eFunds' Operating Committee responsible for running the day-to-day operations and overseeing operational and financial performance. eFunds was acquired by Fidelity National Information Systems in September 2007 for $1.8 billion. Most recently, Mr. Gresham has been the Chief Executive Officer and owner of Granite Reef Advisers, Inc., an advisory firm focused on providing third-party clients assistance in the evaluation of acquisition targets and in exploring company dispositions. Mr. Gresham has served on the Board of Directors and as Chairman of the Audit Committee of BluePay, Inc., a provider of technology-enabled merchant processing services, since July 2013. He previously served on the Board of Directors and as Chairman of the Audit Committee of Sterling Backcheck, Inc., an international provider of background checks and employment screening services. From 1991 through 2002, Mr. Gresham served in various positions with Deloitte LLP. Mr. Gresham earned a B.S. in Accountancy from Northern Arizona University and an M.B.A. from the Thunderbird School of Global Management.

Philip Livingston has extensive public and private company experience as both an operating executive and board member. Mr. Livingston has a proven track record of helping to guide companies with operating challenges, which has made him a sought-after turnaround executive and shareholder-appointed Board representative. During his twenty-five year career as a public and private company executive, Mr. Livingston has served both as a director and the audit committee chairman for Broadsoft Corporation, Insurance Auto Auction, Cott Corporation, MSC Software, and Seitel Inc. Mr. Livingston's significant operating experience includes serving as Chief Financial Officer for Celestial Seasonings, Inc., Catalina Marketing Corporation, and World Wrestling Entertainment. He most recently served as Chief Executive Officer and a director of Ambassadors Group, from May 2014 to October 2015. Prior to joining Ambassadors Group, he was Chief Executive Officer of LexisNexis Web Based Marketing Solutions. From 1999 to 2003, he served as President of Financial Executives International, the leading professional association of chief financial officers and controllers. In that role he led the organization's support of regulatory and corporate governance reforms culminating in the Sarbanes-Oxley Act. He is a current member of the American Institute of CPAs (AICPA). He previously served on the Financial Accounting Standards Board Advisory Council and the Standards Advisory Council of the International Accounting Standards Board. He also served on the AICPA CPA Board of Examiners that oversees the CPA exam for U.S. state boards of accountancy. Mr. Livingston's earlier career included positions in financial management and auditing with Genentech, Inc. and Ernst & Young. Mr. Livingston earned a B.A. in Business Management and a B.S. in Government and Politics from the University of Maryland and a M.B.A. in Finance and Accounting from the University of California, Berkeley.

The Company has a classified Board, which is currently divided into three classes. The terms of three Class III directors expire at the Annual Meeting. We are seeking your support at the Annual Meeting to elect our three nominees in opposition to three of the Company's director nominees for the class with terms ending in 2019. Harvest believes that any attempt to increase or decrease the size of the current Board or the number of directors up for election at the Annual Meeting would constitute an improper manipulation of Green Dot's corporate machinery. Your vote to elect our nominees will have the legal effect of replacing three incumbent directors with our nominees. If elected, our nominees will constitute a minority on the Board and there can be no guarantee that our nominees will be able to implement the actions that they believe are necessary to unlock shareholder value.

We urge you to carefully consider the information contained in the attached Proxy Statement and then support our efforts by signing, dating and returning the enclosed GREEN proxy card today. The attached Proxy Statement and the enclosed GREEN proxy card are first being furnished to the shareholders on or about ____________, 2016.

If you have already voted for the incumbent management slate, you have every right to change your vote by signing, dating and returning a later dated GREEN proxy card or by voting in person at the Annual Meeting.

If you have any questions or require any assistance with your vote, please contact Okapi Partners LLC, which is assisting us, at its address and toll-free numbers listed below.

Thank you for your support,

/s/ Jeffrey B. Osher

Jeffrey B. Osher
Harvest Small Cap Partners Master, Ltd.

If you have any questions, require assistance in voting your GRREN proxy card,
or need additional copies of Harvest's proxy materials,
please contact Okapi Partners at the phone numbers or email listed below.

OKAPI PARTNERS LLC
1212 Avenue of the Americas, 24th Floor
New York, NY 10036
(212) 297-0720
Shareholders Call Toll-Free at: 855-208-8903
E-mail: info@okapipartners.com

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PRELIMINARY COPY SUBJECT TO COMPLETION
DATED APRIL 19, 2016

2016 ANNUAL MEETING OF SHAREHOLDERS
OF
GREEN DOT CORPORATION

PROXY STATEMENT
OF
HARVEST SMALL CAP PARTNERS MASTER, LTD.

PLEASE SIGN, DATE AND MAIL THE ENCLOSED GREEN PROXY CARD TODAY

Harvest Small Cap Partners Master, Ltd. ("Harvest Small Cap Master"), Harvest Small Cap Partners, LP ("Harvest Small Cap Partners"), HSCP Strategic I, LP ("HSCP Strategic"), Harvest Financial Partners, LP ("Harvest Financial"), Harvest Capital Strategies LLC ("Harvest Capital"), Jeffrey B. Osher, Donald Destino, and Craig Baum (collectively, "Harvest" or "we") are significant shareholders of Green Dot Corporation, a Delaware corporation ("Green Dot" or the "Company"), who, together with the other participants in this solicitation, beneficially own 4,715,690 shares of Class A Common Stock, par value $0.001 per share (the "Common Stock"), of the Company, representing approximately 9.4% of Green Dot's outstanding shares. We believe that the Board of Directors of the Company (the "Board") must be significantly reconstituted to ensure that the Company is being run in a manner consistent with shareholders' best interests. We have nominated directors who have strong, relevant backgrounds and who are committed to fully exploring all opportunities to unlock shareholder value. We are seeking your support at the Annual Meeting of Shareholders scheduled to be held at the Company's corporate headquarters located at 3465 East Foothill Boulevard, Pasadena, California 91107, on Monday, May 23, 2016, beginning at 9:00 a.m. Pacific Time (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the "Annual Meeting"), for the following:

1. To elect Harvest's three (3) director nominees, Saturnino Fanlo, George W. Gresham, and Philip B. Livingston (each a "Nominee" and, collectively, the "Nominees"), to the Board as Class III directors to serve until the 2019 annual meeting of shareholders and until their respective successors are duly elected and qualified;

2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016;

3. To consider and vote upon a shareholder proposal, if presented, to adopt a majority voting standard in uncontested director elections; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

As of the date hereof, the members of Harvest and the Nominees collectively own 4,715,690 shares of Common Stock (the "Harvest Group Shares"), representing approximately 9.4% of Green Dot's outstanding shares. We intend to vote the Harvest Group Shares FOR the election of the Nominees, FOR the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2016, and FOR the shareholder proposal, if properly presented, to adopt a majority voting standard in uncontested director elections, as described herein.

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The Company has set the close of business on March 31, 2016 as the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting (the "Record Date"). The mailing address of the principal executive offices of the Company is 3465 East Foothill Boulevard, Pasadena, California 91107. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to the Company, as of the Record Date, there were 50,383,735 shares of Common Stock outstanding.

THIS SOLICITATION IS BEING MADE BY HARVEST AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF THE COMPANY. WE ARE NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING OTHER THAN AS SET FORTH IN THIS PROXY STATEMENT. SHOULD OTHER MATTERS, WHICH HARVEST IS NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED GREEN PROXY CARD WILL VOTE ON SUCH MATTERS IN OUR DISCRETION.

HARVEST URGES YOU TO SIGN, DATE AND RETURN THE GREEN PROXY CARD IN FAVOR OF THE ELECTION OF THE NOMINEES.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY COMPANY MANAGEMENT OR THE BOARD, YOU MAY REVOKE THAT PROXY AND VOTE ON EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT BY SIGNING, DATING AND RETURNING THE ENCLOSED GREEN PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting—This Proxy Statement and our GREEN proxy card are available at

www.fixgdot.com

IMPORTANT

Your vote is important, no matter how few shares of Common Stock you own. Harvest urges you to sign, date, and return the enclosed GREEN proxy card today to vote FOR the election of the Nominees and in accordance with Harvest's recommendations on the other proposals on the agenda for the Annual Meeting.

- If your shares of Common Stock are registered in your own name, please sign and date the enclosed GREEN proxy card and return it to Harvest, c/o Okapi Partners LLC ("Okapi Partners"), in the enclosed postage-paid envelope today.

- If your shares of Common Stock are held in a brokerage account or bank, you are considered the beneficial owner of the shares of Common Stock, and these proxy materials, together with a GREEN voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your shares of Common Stock on your behalf without your instructions.

- Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will count, we urge you not to return any proxy card you receive from the Company. Even if you return the management proxy card marked "withhold" as a protest against the incumbent directors, it will revoke any proxy card you may have previously sent to us. Remember, you can vote for our three Nominees only on our GREEN proxy card. So please make certain that the latest dated proxy card you return is the GREEN proxy card.

If you have any questions, require assistance in voting your GREEN proxy card,
or need additional copies of Harvest's proxy materials,
please contact Okapi Partners at the phone numbers or email listed below.

OKAPI PARTNERS LLC
1212 Avenue of the Americas, 24th Floor
New York, NY 10036
(212) 297-0720
Shareholders Call Toll-Free at: 855-208-8903
E-mail: info@okapipartners.com

Background to the Solicitation

The following is a chronology of events leading up to this proxy solicitation:

- In June 2012, Harvest's Craig Baum met with Green Dot's former Chief Financial Officer, John Keatley, at the William Blair Growth Conference in Chicago, IL to discuss the Company's business model and strategy.

- In October and November 2012, Harvest began conducting extensive due diligence on Green Dot, which included speaking with representatives of Green Dot, attending investor presentations and conferences, conducting financial analyses, and speaking with other industry participants.

- On December 12, 2012, Mr. Baum met with Mr. Keatley and Chris Mammone, Green Dot's former Vice President of Investor Relations, at Green Dot's headquarters in Pasadena, CA. During this meeting, the participants discussed the GPR prepaid competitive environment, Green Dot's relationship with Walmart, and the Company's then recently implemented risk controls. Harvest began purchasing shares of Green Dot on December 20, 2012 after conducting additional due diligence.

- Over the next two years, Harvest's Jeff Osher and Mr. Baum held dozens of telephone calls and meetings with representatives of Green Dot to discuss the Company's operating plan, execution, financial performance, and strategic decisions. During 2013 and 2014, Harvest's interactions were predominantly with Mr. Streit, Mr. Keatley, and Mr. Mammone.

- In late 2013, and throughout 2014, Green Dot's performance began to diverge from the Company's stated operating plan (which had already been significantly reduced in 2012), and management began to make contradictory, and in Harvest's view, often irreconcilable public statements. The Company also seemingly failed to execute on several important strategic and operating objectives, such as internal processing deadlines, GoBank initiatives, and MoneyCard targets.

- On January 29, 2015, Green Dot reported Q4'14 results and provided 2015 earnings per share (EPS) guidance that was significantly below consensus expectations. In addition, management provided what Harvest believed to be irreconcilable revenue guidance for 2015 with several inconsistent statements.

- On January 30, 2015, Messrs. Osher and Baum held a call with Green Dot's former Chief Financial Officer, Grace Wang, and Mr. Mammone. During this call, among other matters, the participants discussed the Company's analysis, process, and plan for the removal of MoneyPak, why the expected MoneyPak impact was so much greater than Mr. Streit had projected on the Company's Q3'14 earnings conference call, and the Company's revenue guidance that seemed to imply a significant re-acceleration in organic revenue growth.

- On February 3, 2015, Green Dot filed a Form 8-K in which the Company disclosed for the first time that acquired card programs were expected to contribute $78 million of revenue in 2015. The previously undisclosed acquired revenue represented more than 50% of the Company's expected year-over-year revenue growth, and over 10% of forecasted annual revenue. That same day, Messrs. Osher and Baum held a call with Messrs. Streit and Mammone. During this call, among other matters, the participants discussed the rationale behind the Company's decision to withhold disclosure of these material acquisitions on its most recent earnings call and Harvest's concerns regarding the contradictory implied margin from the discontinuation of MoneyPak, the Company's on-going "non-recurring" processing expenses, and management's retroactive re-characterization of the benefit from the discontinuation of a fee waiver in Q1'14.

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- On February 11, 2015, Mr. Osher e-mailed Messrs. Streit and Mammone, Ms. Wang, and Green Dot's Lead Independent Director, Kenneth Aldrich expressing concern regarding the Company's communications with sell-side analysts and investors. Mr. Osher also emphasized that given Green Dot's unreliable performance and pattern of negative financial guidance revisions, management should consider taking a more conservative approach to its quarterly guidance and financial forecasting. Additionally, Mr. Osher shared Harvest's opinion that changes must begin to materialize at Green Dot to deliver on the Company's operating plan and that the Board should begin to focus on accountability. That same day, Mr. Streit e-mailed Mr. Osher and offered to have all future investor relations interactions conducted directly through him.

- On March 12, 2015, Mr. Osher e-mailed Mr. Aldrich to request a time for a discussion.

- On March 13, 2015, at Mr. Mammone's request, Mr. Baum e-mailed Mr. Streit examples of metrics that Harvest believed failed to reconcile and asked for further clarification on issues discussed previously with Mr. Mammone. That afternoon, Mr. Baum spoke with Mr. Streit to again try to reconcile the Company's ongoing inconsistent statements and financial commentary.

- Also on March 13, 2015, Mr. Aldrich responded to Mr. Osher stating he would be willing to meet with Harvest at Green Dot's office or in the Los Angeles area. Mr. Aldrich indicated he would include Mary Dent, a fellow director and member of the Company's Audit Committee and Nominating and Corporate Governance Committee (the "Nominating Committee").

- On March 23, 2015, Mr. Osher delivered a letter to Mr. Aldrich and Ms. Dent providing an overview of Harvest's concerns, including what Harvest believed to be numerous strategic missteps, weak operational execution, the inability to grow EPS during a five year period when revenues nearly doubled, and the dismal performance of Green Dot's stock price since its initial public offering (IPO). Mr. Osher emphasized the importance of accountability and Harvest's opinion that Mr. Streit would be better suited in a newly created role of Executive Chairman. Also in this letter, Mr. Osher communicated that Harvest was not an activist, did not want to be disruptive or a source of unnecessary cost or distraction for the Company, and therefore wished to keep communications private. Mr. Osher expressed Harvest's desire to work in a cooperative manner with the Board to establish a framework for change at Green Dot.

- On March 25, 2015, Messrs. Osher and Baum met with Mr. Aldrich and Ms. Dent at a Regus conference center in Glendale, CA. During the meeting, Messrs. Osher and Baum discussed Harvest's views and concerns regarding the Company's leadership, performance, shareholder communication, alignment of interests, and employee turnover. Also during this meeting, the participants discussed the Board's assessment of the Company's and Mr. Streit's performance since Green Dot's IPO, the decision process and lack of accountability for withholding material information from shareholders on two acquisitions, the Board and management's preparedness should the Company fail to renew its Walmart MoneyCard contract, as well as the Board's plan of action to remedy the Company's underperformance and hold Mr. Streit accountable. At the conclusion of this meeting, Mr. Aldrich and Ms. Dent expressed their support for Mr. Streit, but requested that Harvest follow-up with specific details and examples regarding the communication issues Harvest raised during the meeting.

· On March 30, 2015, Mr. Osher delivered a follow-up letter to Mr. Aldrich and Ms. Dent detailing five examples of what Harvest believed to be confusing, inconsistent, or irreconcilable public statements made by senior management. These examples included Mr. Streit's shifting commentary regarding the Company's benefit from discontinuing a fee waiver in Q1'14, Green Dot's inadequate and inconsistent acquisition disclosures, Mr. Streit's contradictory statements regarding the discontinuation of MoneyPak, irreconcilable statements regarding the size and profitability of Green Dot's MoneyCard program, and management's inaccurate revenue guidance and misleading accretion commentary from the Company's recent acquisition of Santa Barbara Tax Products Group ("TPG"). In the letter, Mr. Osher once again emphasized Harvest's desire to work constructively with the Board to remedy Green Dot's apparent leadership failures.

· On March 30, 2015, Mr. Aldrich confirmed receipt of Harvest's letter, stating that he appreciated the information provided by Mr. Osher and would follow-up with him, but it would take some time to digest and review the materials provided.

· On April 9, 2015, Mr. Osher e-mailed Mr. Aldrich to request a time to discuss why Green Dot altered its vesting policy in the event of a change of control just two weeks after Mr. Aldrich and Ms. Dent had met with Harvest. Mr. Aldrich replied that he was unavailable to discuss Mr. Osher's concerns due to his own business commitments. Although Harvest believed this to be a corporate governance issue most appropriate to discuss with Green Dot's Lead Independent Director, Mr. Aldrich instructed Mr. Osher to communicate with Green Dot's investor relations regarding the vesting policy change. In the same correspondence, Mr. Aldrich stated that the Board had commenced reviewing the issues raised by Harvest and were taking its concerns seriously.

· On April 10, 2015, consistent with Mr. Streit's instructions in February to direct investor relations inquiries directly to him, Mr. Osher called Mr. Streit for clarification on the Company's vesting policy and to seek further clarity on what Harvest still believed to be conflicting public statements and communication discrepancies. That same day, Mr. Streit replied by e-mail, stating that Don Duffy, Green Dot's investor relations consultant, would follow-up on the matter.

· On April 24, 2015, after receiving no report from Mr. Aldrich or Ms. Dent for 30 days since meeting in Glendale, Mr. Osher e-mailed Mr. Aldrich and Ms. Dent to request a follow-up call. That same day, Mr. Aldrich responded that the Board was actively reviewing the concerns outlined by Harvest and wanted the process to be thorough and complete. Mr. Aldrich stated that he would follow-up once the review was complete.

· On May 7, 2015, Green Dot reported Q1'15 results and lowered its projected annual revenue guidance, while also disclosing that MoneyPak would have an even larger impact on the business than was publicly discussed on the Q4'14 earnings call. The Company also announced Ms. Wang had transitioned from CFO to Senior Vice President, Corporate Finance/Business Intelligence, and that the Board had appointed Mark Shifke Acting CFO. Additionally, management stated (i) the Company's recent acquisition, TPG, was $7 million behind its previously lowered revenue plan, (ii) the Company had mis-modeled $9 million of TPG expenses that would negatively impact Q2'15 financial performance, and (iii) the Company's historical key business metrics (including number of active cards) were altered.

· On May 8, 2015, Messrs. Osher and Baum spoke with Messrs. Shifke, Mammone, Duffy and Jess Unruh, Green Dot's Chief Accounting Officer. During this call, among other matters, the participants discussed the timing, process, and updated financial impact from the removal of MoneyPak, GoBank's performance versus stated plan of one million annualized run-rate account enrollments by year-end, and updated timing regarding the Company's delayed program launch with Ace Cash Express. Also on this call, the participants discussed management's retroactive change to historical key business metrics and what Harvest believed to be additional inconsistent statements made by Mr. Streit. Also on this date, Mr. Osher e-mailed Mr. Aldrich and Ms. Dent to follow-up on the issues and concerns presented by Harvest in the March meeting and letters. That same day, Mr. Aldrich replied to

Mr. Osher stating that the Board was still evaluating the issues raised and would let Harvest know when the process was complete.

- On May 11, 2015, Mr. Osher e-mailed Mr. Aldrich and Ms. Dent to bring to the Board's attention additional examples of communication and execution failures that Harvest believes arose in the Q1'15 earnings release and conference call, including TPG financial commentary by Mr. Streit that failed to reconcile with the financial results disclosed in the Company's 10-Q.

- On May 12, 2015, Mr. Aldrich replied to Mr. Osher, stating that the Board would discuss Harvest's inquiry into Mr. Streit's public comments and disclosures at its next meeting on May 28, 2015. Mr. Aldrich further stated that the Board takes concerns of shareholders seriously and viewed the amount of time taken by the Board to respond as reasonable and appropriate given the nature and volume of Harvest's concerns.

- Also on May 12, 2015, Mr. Duffy responded to Mr. Osher regarding Mr. Streit's conflicting conference call statements and subsequent 10-Q disclosures on TPG. Mr. Duffy stated that Mr. Streit's comments during the earnings call were meant to be a "ballpark figure" and that was why his comments did not reconcile with the results disclosed in Green Dot's 10-Q.

- On May 22, 2015, David Battaglia, a lawyer at Gibson Dunn, Green Dot's corporate counsel, sent a letter to Joe Jolson, JMP Group's CEO. Among other things, the letter attempted to curb Harvest's criticism of Mr. Streit's performance as Green Dot's CEO and thwart the communication between Messrs. Osher and Baum and the Board. It was unclear in the letter whether Mr. Battaglia was acting in his capacity as counsel for Green Dot or for Mr. Streit personally.

- On May 27, 2015, Mr. Osher e-mailed Mr. Aldrich and Ms. Dent offering to answer questions or provide additional information at the Board meeting on May 28, 2015.

- On June 1, 2015, the Board delivered a three paragraph letter to Harvest, stating that the Board "disagreed" with Harvest's conclusions and interpretations regarding Mr. Streit's performance and shareholder communications. The Board did not provide support in its letter for its conclusions, nor did it comment on Harvest's proposals. However, the Board reassured Harvest that, "the Board and management agree that going forward we should place a greater emphasis on achieving both top and bottom line growth and building greater shareholder value as measured in the equity markets."

- On June 5, 2015, Mr. Osher sent a letter to Mr. Battaglia stating that Harvest was within its rights as a Green Dot shareholder to communicate its serious concerns regarding Mr. Steit's performance to the Board. Also in this letter, Mr. Osher asked Mr. Battaglia to direct all future correspondence regarding Harvest's investment in Green Dot to Mr. Osher.

- On July 8, 2015, Mr. Osher spoke telephonically with Mr. Aldrich and Ms. Dent. During this call, among other matters, the participants discussed the Board's process to investigate the issues raised by Harvest. Mr. Aldrich stated that the Board spent considerable time examining Harvest's concerns and believed there was a misinterpretation around small items and was satisfied that each substantive concern presented by Harvest had been addressed. Also during this call, Mr. Osher inquired about the benefits of appointing new directors that could provide fresh perspective to the Board. Mr. Aldrich stated that Green Dot always examines the size of the Board and the skill sets of its individual directors, but was opposed to expanding the size of the Board because he believed the current size fostered the greatest productivity. However, Mr. Aldrich conceded that there was a dearth of public investment and capital markets experience on the Board. Separately, in response to Mr. Osher's questions regarding the May 22, 2015 letter from Mr. Battaglia, Mr. Aldrich and Ms. Dent informed Mr. Osher that the letter from Gibson Dunn had not been authorized by the Board and was instead the result of Mr. Streit's personal activities.

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- On August 4, 2015, Green Dot reported Q2'15 earnings and announced updated guidance, lowering 2015 revenue, EBITDA, and EPS expectations. On its earnings call, the Company reported a material decline in its active card base and reported MoneyPak would have a much larger impact on the business than previously expected. Mr. Streit indicated that despite the material sequential decline in active cards, the card portfolio would begin to stabilize going forward. The Company also recorded an impairment charge on its internal processing initiative.

- On August 18, 2015, Messrs. Osher and Baum met with Messrs. Shifke, Mammone, and Duffy at Harvest's office in San Francisco, CA. During this meeting, among other matters, the participants discussed the ecosystem effects from the discontinuation of MoneyPak, Green Dot's updated Walmart MoneyCard agreement, the rationale for maintaining the GoBank brand, management's assumptions behind the Company's implied Q4'15 revenue acceleration, and Harvest's concerns regarding the Company's ongoing failure to achieve financial forecasts. Also during this meeting, Harvest expressed concern regarding Green Dot's guidance for 2015 and consensus estimates for 2016. Harvest recommended that in an effort to restore credibility with the financial community, the Company should consider proactively addressing 2016 estimates on its next earnings call.

- On November 5, 2015, Green Dot reported Q3'15 earnings and lowered 2015 guidance for the third time. Despite Mr. Streit's comments on the Q2'15 earnings call that Green Dot's active card portfolio would begin to stabilize, the Company reported a 6% sequential decline in its active card base during the third quarter. Additionally on this date, Green Dot stated the Company did not expect to grow revenue in 2016.

- Also on November 5, 2015, Mr. Osher e-mailed Mr. Aldrich and Ms. Dent requesting a call with the Board to discuss a range of proposals that Harvest believed would enhance short- and long-term shareholder value. Mr. Osher also emphasized that since assuring Harvest on June 1, 2015 that the "Board and management agree that going forward a greater emphasis [would be placed] on achieving both top and bottom line growth and building greater shareholder value as measured in the equity markets," Green Dot had downwardly revised financial expectations twice.

- On November 16, 2015, Ms. Dent e-mailed Mr. Osher and tentatively offered Harvest the opportunity to become a temporary insider to better understand the Company's product roadmap and 2016 initiatives. Ms. Dent asked Harvest to discuss the option with its outside counsel.

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· On November 19, 2015, Mr. Osher replied to Ms. Dent stating that Harvest believed the 2016 roadmap should be disclosed to all stakeholders in a public forum. Mr. Osher reiterated Harvest's opinion that meaningful changes must occur to address the long-standing core issues afflicting Green Dot which Harvest believed to be leadership, operating execution, financial performance, and accountability. Mr. Osher again requested a meeting with the Board.

· On December 2, 2015, Mr. Aldrich e-mailed Mr. Osher to offer a meeting with the Board at Green Dot's headquarters in Pasadena. Mr. Aldrich again reiterated the Company's offer to make Harvest a temporary insider subject to a non-disclosure agreement.

· On December 10, 2015, Messrs. Osher, Baum, and KC Lynch, Harvest's President and Chief Operating Officer, met with Mr. Aldrich, Ms. Dent, and Green Dot directors Timothy Greenleaf, Michael Moritz, and George Shaheen. John Ricci, Green Dot's General Counsel, was also present. Former Green Dot director Samuel Altman and current Green Dot director Glinda Bridgforth Hodges were absent and Mr. Streit did not attend at the request of Harvest. During this meeting, among other matters, Harvest discussed its concerns with the Company's on-going, multi-year execution errors and misleading investor communications, along with Green Dot's long-term stock price underperformance. Harvest again sought to discuss the framework for an amicable transition plan for Mr. Streit. The Board members in attendance disagreed that Mr. Streit was accountable for the Company's performance shortfalls and refused to consider a CEO transition.

· On December 11, 2015, Mr. Osher e-mailed Mr. Aldrich to ask why Mr. Altman did not attend the Board meeting. It was understood by Harvest that Ms. Bridgforth Hodges would not attend due to a medical issue, but Mr. Aldrich had stated that all other Board members would be in attendance.

· On December 12, 2015, Mr. Aldrich replied stating that he did not know why Mr. Altman failed to attend the meeting but suspected that Mr. Altman's absence may have had to do with his venture capital duties.

· On January 25, 2016, Harvest Capital filed a Schedule 13D with the SEC (the "Schedule 13D"), reporting a 6.2% beneficial ownership stake in Green Dot. On the same day, Harvest issued a press release and delivered a comprehensive letter and presentation titled "Proven Leadership is the Missing Ingredient for Long-Term Success" (the "Green Dot Presentation") to the Board outlining in detail Harvest's significant concerns regarding the continued mismanagement and apparent value destruction at Green Dot under the direction of Mr. Streit. That same day, Green Dot issued a response stating it would carefully review Harvest's suggestions.

· On February 12, 2016, Ms. Dent left Mr. Osher a voicemail message informing him that Harvest would be receiving a letter and proposal from Green Dot. That same day, Mr. Ricci delivered a letter to Messrs. Osher and Baum inviting Harvest to participate with other top ten shareholders of the Company to identify potential candidates to add to the Board. The letter stated that if Harvest wished to participate in the Board suggestion process, Harvest attorneys should contact Green Dot's attorneys by February 26, 2016.

· On February 18, 2016, Harvest sent a letter to the Board declining Green Dot's invitation. Harvest stated that merely identifying additional directors was an inadequate response to the serious, long-term issues it had raised. Harvest re-emphasized its preference to work constructively with the Board to address Green Dot's performance and execution issues. Harvest again implored the Board to engage in a real plan of action that begins with leadership succession.

- On February 24, 2016, Green Dot reported Q4'15 results and provided guidance for 2016. In addition to missing the consensus EBITDA estimate, Mr. Streit made several statements during the earnings conference call that Harvest believed were factual misrepresentations, including statements that he is the "largest shareholder of the company by far" and that he hasn't "sold shares since November of 2010", which are described in more detail below in the Reasons for the Solicitation section of this Proxy Statement.

- On March 3, 2016, Harvest delivered a letter to the Board, which was also released publicly, to correct Mr. Streit's misleading and inaccurate statements. Also in this letter, Harvest notified the Board that it planned to nominate three directors for election at the Annual Meeting. That same day, Green Dot issued a response stating that it respects and values the opinions and views offered by Harvest and would seek to satisfy Harvest's concerns.

- On March 9, 2016, Mr. Streit e-mailed Messrs. Osher and Baum, offering Harvest the opportunity to name one member to the Green Dot Board. Mr. Streit also offered to adjust his compensation to be better aligned with shareholders' interests.

- On March 11, 2016, Messrs. Osher and Baum responded to Mr. Streit's proposal, stating that Harvest would be amenable to working constructively with the Board, but a discussion would need to begin with leadership succession and the replacement of current directors. Harvest again proposed a graceful leadership transition and emphasized its preference to avoid a proxy fight.

- On March 13, 2016, Mr. Streit e-mailed Messrs. Osher and Baum reiterating Green Dot's offer for Harvest to name one Board member.

- On March 14, 2016, Harvest delivered a letter to the Company's Secretary, formally nominating George Gresham, Nino Fanlo, and Philip Livingston for election to the Board at the Annual Meeting and issued a press release announcing its delivery of the nomination letter to Green Dot. That same day, Green Dot issued a response again reiterating its previous offer for Harvest to name one Board member.

- On March 29, 2016, the Company filed its preliminary proxy statement in connection with the Annual Meeting.

- On April 1, 2016, Harvest filed its preliminary proxy statement in connection with the Annual Meeting.

- On April 11, 2016, the Company filed amendment no. 1 to its preliminary proxy statement in connection with the Annual Meeting.

- On April 11, 2016, Harvest filed amendment no. 1 to its preliminary proxy statement in connection with the Annual Meeting.

- On April 15, 2016, the Company filed amendment no. 2 to its preliminary proxy statement in connection with the Annual Meeting.

- On April 18, 2016, the Company filed its definitive proxy statement in connection with the Annual Meeting.

- On April 19, 2016, Harvest filed amendment no. 2 to its preliminary proxy statement in connection with the Annual Meeting.

REASONS FOR THE SOLICITATION

WE BELIEVE THAT LEADERSHIP CHANGE IS NEEDED AT GREEN DOT NOW, INCLUDING A RECONSTITUTED BOARD

We are long-term shareholders of the Company, now in our fourth year as investors, having initially bought shares in late 2012. We continue to believe Green Dot possesses immense franchise value and earnings potential, but we have lost faith in the ability of CEO Steve Streit to act in the best interest of, and create sustainable value for, all shareholders. Further, based on Harvest's interactions with the Board, and what we believe to be an unacceptable approach towards corporate governance, we do not believe the Board as it is constituted today can act in the best interest of all shareholders. The upcoming Annual Meeting is a critical opportunity for Green Dot shareholders to not only elect new highly qualified and experienced directors, but to also send a clear message to the Board that the troubling status quo has failed and immediate leadership change is required in order to drive substantial shareholder value creation for all investors.

As detailed in the foregoing section of this Proxy Statement, for more than a year we attempted to engage constructively with the Board and management team to address our serious concerns with the direction of the Company under Mr. Streit's leadership. We have provided the Board with numerous examples, including meticulous details at its request, outlining why we believe Mr. Streit's managerial limitations have resulted in significant shareholder value destruction. Unfortunately, our efforts to interact privately and constructively with the Board have proven to be unsuccessful. The Board has refused to address the need for leadership change, which we believe is the source of Green Dot's prolonged underperformance, weak financial results, and apparent execution missteps since the Company's initial public offering in 2010.

We are disappointed by this Board's failure to address the issues we have identified and question whether the Board as currently comprised today has the commitment, open-mindedness, and shareholder alignment to maximize opportunities for value creation. Because of our belief that the current Board is incapable of holding Mr. Streit accountable for what we believe to be long-term unacceptable performance, we are soliciting your support to elect our highly qualified Nominees at the Annual Meeting. Our Nominees were carefully selected and possess considerable credibility, decades of relevant experience, talent, and above all else, a deep commitment to shareholder-alignment, which are attributes we believe are sorely lacking from the current Board. We believe shareholders deserve an aligned board of directors who collectively possess the objectivity, perspective, and qualifications to make decisions that are in the best interest of shareholders. Although the election of our Nominees to the Board at the Annual Meeting would not remove Mr. Streit as CEO and may not result in his termination as CEO, given that our Nominees would only constitute a minority of the Board, we believe it would demonstrate a vote of no confidence in Mr. Streit's ability to lead the Company.

We Are Concerned with the Company's Prolonged Stock Price Underperformance Under CEO Steve Streit's Leadership

Green Dot's shares have dramatically underperformed the Russell 2000 Index as well as both its original and revised peer groups over almost any measurement period.[1] Since going public in 2010, Green Dot's stock price has declined by approximately 65% under Mr. Streit's leadership. Over the same time period, the Russell 2000 Index has returned 96%, including dividends. In the last five years ending December 31, 2015, Green Dot's stock has underperformed its original self-selected peer group by 274%, its revised peer group by 184%, and has experienced an absolute stock price decline of 71%.[2] In fact, in its five full years as a public company, Green Dot has only generated one year of positive shareholder returns.

1 In 2014, the Board changed its compensation advisor from Barney & Barney to Advisory Board only to change again six months later to Deloitte Consulting. Deloitte Consulting eliminated seven of Green Dot's 13 peers (excluding NetSpend which was acquired). Green Dot's closest competitor TSYS, which was already considered a peer in 2013 and 2014, was inexplicably removed from the peer group after acquiring competitor NetSpend.

2Bloomberg. Relative performance is calculated as Green Dot's total return in the five years ending 12/31/15, less the total return of the comparable peer group. Green Dot's original, Company-selected peer group provided in its 2013 and 2014 Proxy Statements consisted of Alliance Data Systems, Capital One Financial, Discover Financial, Euronet Worldwide, Global Cash Access, Global Payments, Heartland Payment Systems, Mastercard, MoneyGram, NetSpend, Total System Services, Visa, Western Union, and Wright Express. The Company's revised peer group provided in Green Dot's 2015 Proxy Statement consisted of Blackhawk Network, Cardtronics, Cash America International, Cass Information Systems, Euronet Worldwide, EZCorp, Global Cash Access, Heartland Payment Systems, Jack Henry & Associates, MoneyGram, Regional Management, WEX, and World Acceptance.

Source: CapitalIQ. Peer returns based on equal-weighted average. *Total Shareholder Returns exclude dividend reinvestment. **Original peer group obtained from Company's 2013 and 2014 proxy statements. Revised peer group obtained from Company's 2015 proxy statement.

We Believe the Company Has Consistently Delivered Weak Financial Results

We believe the dismal performance of Green Dot's stock is a direct reflection of management's repeated financial shortfalls. Based on our experience, the multiple that the investment community is willing to pay for a stream of earnings is significantly influenced by its perception of management. Investors will pay a higher multiple for the same level of earnings if they believe management can be trusted and guidance about the future will prove reliable. Prior to Harvest Capital's Schedule 13D filing, Green Dot's depressed multiple (approximately 12x P/E and 5x EBITDA, a 40% and 60% respective discount to the Company's processing peer group3) appeared to be a function of investor distrust in Mr. Streit and his inability to deliver consistent results.

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3 Harvest-selected processing peer group includes Heartland Payment Systems, Mastercard, Visa, Vantiv, Fleetcor Technologies, Global Payments, Blackhawk Network, PayPal, Total System Services, Euronet Worldwide, Alliance Data Systems, WEX, Fidelity National Information Services, Western Union, and MoneyGram.

In three of the last four years, Green Dot has guided revenue and/or EBITDA lower as the year progressed. More specifically, Green Dot has reduced one of its key financial metrics every single quarter for the last nine quarters. Considering 80% of Green Dot's revenue is categorized as recurring, we find this degree of inconsistency to be unacceptable.4 Notably, prior to Harvest Capital's Schedule13D filing, Green Dot's inconsistent guidance had resulted in four straight quarters of earnings-related disappointments, which resulted in an arithmetic cumulative decline of 49% on the day following Green Dot's earnings releases.

Source: Company filings.
*9/18/14 was date of TPG acquisition announcement; management lowered annual guidance.

Despite the Company's claims to the contrary, there does not appear to be an industry-wide issue afflicting Green Dot nor do we view the recent execution errors as mere detours. We strongly believe the incessant operating and financial execution disappointments are a Green Dot issue, and more specifically, a Green Dot leadership issue. While numerous personnel changes have occurred at Green Dot since its IPO, Mr. Streit has been the constant factor linked to the Company's long-term underperformance. In fact, a side-by-side comparison of Green Dot and its closest competitor, NetSpend, suggests that the Board may not be capable of objectively analyzing Mr. Streit's performance and recognizing that Green Dot's challenges are company specific.

NetSpend distributes its cards primarily through physical channels and generates card revenue and interchange fees based on card issuance and usage, just like Green Dot. Despite the similarities in the two companies' business models, their respective operational and financial performance has been starkly different. NetSpend has generated superior financial results, despite the fact it does not issue its own cards, does not own a high margin reload network, and operates at a lower revenue base. It is worth noting, that under CEO Dan Henry's leadership, NetSpend had a successful sale to TSYS Corporation at 14.5x EBITDA.5

By blaming exogenous industry factors, as opposed to objectively acknowledging Mr. Streit's apparent limitations, we believe the Board has demonstrated a failure to hold management accountable for its shortcomings and to act as fiduciaries to all stakeholders. We also believe that current Green Dot director nominee, Timothy Greenleaf, as Chairman of the Audit Committee tasked with reviewing "the integrity, adequacy and effectiveness of accounting and financial reporting processes and the adequacy and effectiveness of systems of internal control,"6 must be held accountable for the Board's failure to provide effective oversight of the Company's financial controls and reporting under Mr. Streit's leadership.

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4 Green Dot IR Presentation, pg. 19, "80% of revenues are recurring in nature" (1/29/15).
5 NetSpend acquisition was announced 2/19/13 for $16 per share. Enterprise value based on 84.3 million diluted shares outstanding for 2012. EBITDA based on Company reported adjusted EBITDA of $96.2 million for 2012.
6 Green Dot 2015 Proxy Statement.

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We Are Concerned with the Company's Troubling History of Poor Execution and Operational Mismanagement under CEO Steve Streit

Based on extensive discussions with former and current Green Dot employees, we believe Mr. Streit's repeated failure to achieve both short- and long-term targets is a symptom of a deeper and more fundamental problem, namely, his apparent struggle with the basic tenets of running a larger company. As the following table illustrates, under Mr. Streit's leadership, Green Dot has experienced execution mistakes in each of the last nine quarters.

Source: Company filings, earnings releases, and conference calls.

While we understand that all companies suffer from occasional strategic missteps, or "detours" as Green Dot labeled its recent MoneyPak and MoneyCard failures, strong management teams overcome challenges, and often have the foresight to anticipate what may go wrong well in advance, effectively minimizing the financial impact from the associated "detour." As companies grow and become more complex, leadership experience becomes an irreplaceable corporate asset. The examples below further illustrate the major strategic missteps that we believe shareholders have suffered under Mr. Streit's leadership, which are outlined in greater detail in our Green Dot Presentation (available at www.fixgdot.com):

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- Discontinuation of MoneyPak: we believe the removal of MoneyPak was poorly tested, vastly underestimated and should not have occurred until a reliable substitute was ready, as it resulted in damage to Green Dot's ecosystem and multiple negative revenue revisions during 2015.

- In-house Processing Migration: management has failed to deliver the expected "significant cost savings" touted by Mr. Streit as far back as the Q4'11 earnings call. Three years after Green Dot's purchase of eCommLink, and two years after the in-house migration was expected to commence, Green Dot included a $5 million "non-recurring processor migration" expense in its 2015 guidance. Purportedly one-time expenses for this strategically important project have become a recurring item for Green Dot.

- Loopt Acquisition: we believe management squandered shareholder capital in its acquisition of Loopt, Inc. ("Loopt") in 2012 for $43 million, only to shut down the business promptly thereafter. To our knowledge, the Company has not used a single line of Loopt code. Notably, we believe the Board overlooked significant conflicts of interest in approving this transaction considering Sequoia Capital sat on the boards of both Green Dot and Loopt, and was also the largest shareholder of both companies.[7]

- Launch of GoBank: the highly touted mobile banking product has consistently missed expectations, altered its strategy, and in our view, wasted shareholder money and confused consumers. At the beginning of 2015, management set a public goal to reach "a seven figure annualized run rate in new GoBank account enrollments by year-end." The Company recently conceded it will not achieve this target.

- Updated MoneyCard Program: we believe the updated MoneyCard program was poorly designed and implemented. Not only did the new products fail to drive increased value but after the strategic re-launch, Walmart revenue began to decline and the new pricing schedules confused customers.[8]

- TPG Acquisition: the acquisition of TPG was poorly structured in our view, with management issuing 6.133 million undervalued Green Dot shares when inexpensive bank debt was available. From the conference call announcing the acquisition on September 18, 2014 through its first year under Green Dot's control, TPG experienced multiple negative revenue revisions and had a 22% shortfall relative to management's initial 2015 forecast.

- Sallie Mae Partnership: Green Dot's initially positive foray into the higher education market ended with a project write-down and a breach of contract lawsuit.

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7 Greg McAdoo, a partner with Sequoia Capital, was a member of the board of directors of Loopt at the time of the acquisition. Current Green Dot director Michael Moritz, a partner with Sequoia Capital, was a member of the Board at the time of the acquisition.

8 Mr. Streit commented on Green Dot's Q4 15 earnings call and at a JP Morgan conference on 12/2/15 that the pricing changes confused customers.

We believe these repeated strategic missteps demonstrate that management and the Board are not executing appropriately and lack the skill and industry expertise to improve the operating performance at Green Dot. Adding insult to injury, we believe this underperformance is predominantly self-inflicted, which highlights the important opportunity for value creation at the Company. We believe a more capable team, including a new CEO and reconstituted Board, will be able to refine operating processes, execute a robust strategic plan, and enhance financial forecasting to close the gap between Green Dot and its peers.

We Believe Green Dot's Management Team and Board have Lost Important Shareholder Credibility due to the Company's Track Record of Inconsistent and Misleading Investor Communications

In addition to the recurring execution failures and inconsistent guidance discussed above, Harvest is deeply concerned by Green Dot's apparent willingness to distort facts in order to justify poor performance. We believe Mr. Streit's inconsistency when discussing business metrics and financial drivers has not only impaired investor trust but has also undermined long-term investors' ability to understand Green Dot's operating model.

In fact, as outlined in the foregoing section of this Proxy Statement, we believe Green Dot has a track record of delivering inconsistent and misleading statements to shareholders in its quarterly reports and earnings calls. In Q1'14, for example, Green Dot recognized $5.6 million of non-recurring revenue from the removal of courtesy fee waivers, which provided a 3% benefit to revenue in the quarter.9 At the time, Mr. Streit repeatedly stated that this revenue benefit was offset by a few negative occurrences, such as bad weather, inventory stock-outs and card reissuance expenses related to a Target Corp. data breach. Mr. Streit unequivocally stated the positive and negative factors resulted in "a wash" of one-time items in the quarter. Notably, one year later on Green Dot's 4Q'14 earnings call, Mr. Streit contradicted his prior commentary, explicitly referring to the fee waiver as a one-time benefit that analysts needed to consider when analyzing the Company's disappointing year-over-year comparisons. At the same time, Mr. Streit noticeably made no reference to the one-time headwinds from 1Q'14 (weather & Target breach) that would presumably be beneficially lapped in 2015. We believe Mr. Streit altered his narrative in light of disappointing 2015 guidance.

Perhaps even more concerning, between late December 2014 and early January 2015, Green Dot acquired two prepaid card companies, AccountNow and Achieve Card, which combined accounted for more than 10% of Green Dot's 2015 projected revenue. However, at the time of the Company's 4Q'14 earnings call, neither acquisition was disclosed. Management included the financial contribution from these acquisitions in its 2015 guidance without a single reference to their inclusion or impact. We believe investors and analysts had significant challenges reconciling 2015 guidance without the transparent disclosure of this key information. Further, when asked directly about the "double digit organic growth" implied in management's guidance, Mr. Streit not only failed to disclose the existence of either acquisition, he also highlighted two incorrect assumptions for the strong revenue guidance. Notably, in the two days following the Company's earnings call, Green Dot's stock declined by 25%. Only then did management file an 8-K disclosing the acquisitions and their combined impact on guidance.

We believe the lack of prompt disclosure regarding the material contributions from these acquisitions significantly eroded investor trust, and we question how the Board approved guidance that withheld critical disclosures and implicitly overstated organic growth. Even sell-side analysts openly criticized Green Dot's judgment and credibility:

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9 Green Dot Q1'14 earnings conference call held 4/30/14.

“Poor acquisition disclosure raises questions. Notably, Green Dot used the quiet holiday period to make two acquisitions which it disclosed today will generate $78m in 2015 revenue and $15m of EBITDA. The Company issued nearly 1m shares to consummate these deals. We encourage investors to ask: ‘why the need for such stealth?’” – Andrew Jeffrey, SunTrust

“We believe that we do not have a very good handle on the organic revenue growth of company, given we do not have reliable information on the acquired companies or even know if they were included in guidance. We are not sure if those companies were included in top- and bottom-line guidance. We would generally expect that they would have been, given that both deals closed before the earnings call.” – Robert Napoli, William Blair

Unfortunately for shareholders, Mr. Streit’s misleading, confusing, and contradictory public commentary is not an isolated event. As recently as Green Dot’s Q4’15 earnings call, after Harvest had repeatedly highlighted issues with Mr. Streit’s public statements, he continued to make false statements. In the most recent earnings call, Mr. Streit stated he was “the largest shareholder of the Company by far” and that he had not sold a share of Green Dot stock since November 2010. Both of these statements are incorrect, considering BlackRock was Green Dot’s largest shareholder and Mr. Streit sold 536,602 shares in several open market transactions in 2014.[10]

It seems quite clear to us that Mr. Streit does not take consistent shareholder communication seriously, and to date neither he nor the Board have been held accountable for Green Dot’s poor track record of financial forecasting and shareholder communications. Further, we believe the Audit Committee, and particularly Mr. Greenleaf as Chairman, has repeatedly failed to act in the best interest of shareholders by allowing Mr. Streit to continue making misleading public statements and by failing to provide proper oversight of Green Dot’s financial guidance and controls.

We Believe Senior Leadership Turnover is Symptomatic of an Unhealthy Leadership Culture that Can Be Traced Back to the CEO and Board

We are concerned by the significant turnover among top level executives at Green Dot, which we believe has contributed to the Company's disappointing operational, financial, and stock price performance. All but one of the Company’s named executive officers alongside Mr. Streit at the time of Green Dot’s IPO had resigned by the end of 2013 (Mark Troughton - President, Cards and Network; John Keatley - CFO; and William Sowell - COO). Additionally, Green Dot has had three CFOs in the last three years, with the most recent two executives possessing no prior public market experience. At the time of Mr. Keatley’s resignation as CFO in 2013, Mr. Streit stated that, “whoever we bring in [as CFO] has got to have deep public experience and understand how the markets work.”[11] Despite Mr. Streit’s assurances, the Board failed to add a strong CFO with public market experience, which is particularly concerning given Mr. Streit’s apparent struggles with financial forecasting and reporting. In light of the significant executive turnover, we believe Green Dot’s management and Board are incapable of identifying and retaining the appropriate talent to improve the Company's performance.

10 As of the date of the conference call on 2/24/16, BlackRock was Green Dot’s largest shareholder according to Mr. Streit’s and BlackRock’s most recent Schedule 13G filings. According to a Form 8-K filed by Green Dot on 2/6/14, Mr. Streit sold shares pursuant to a 10b5-1 trading plan to comply with obligations under his 2004 divorce settlement.
11 JPM Morgan Global TMT Conference (5/15/13).

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We Believe the Board has a Long History of Disregarding Shareholders' Concerns and Best Interests while Maintaining Misaligned, Poor Corporate Governance Practices

We believe Green Dot shareholders should have serious concerns about the poor corporate governance practices and misalignment of interests among certain members of the Board. Based upon our interactions with the Board, we believe certain Board members are apathetic towards the Company's underperformance and prefer to insulate themselves from current shareholder accountability rather than engage in constructive dialogue with well-intentioned, long-term shareholders.

In our opinion, Green Dot's Board is dominated by four individuals with tenures exceeding 13 years each, namely, Steve Streit, Timothy Greenleaf, Michael Moritz, and Kenneth Aldrich. Notably, each of Messrs. Streit, Greenleaf, and Moritz, the Class III directors up for re-election at the Annual Meeting, have served on the Board for more than 13 years, and each has presided over the Company's prolonged underperformance. Importantly, we believe Mr. Streit, as Chairman, President, and CEO, and Mr. Greenleaf, as Chairman of the Audit Committee, should be held accountable for the Company's protracted underperformance and concerning corporate governance. In addition, we believe Mr. Moritz's questionable connection to the $43 million related-party Loopt acquisition, his poor oversight on the Compensation Committee, and his failure to attend at least 75% of Board meetings in three of the last four years warrant his replacement as a Board member. We believe change is not only long-overdue, but is required to ensure the Board delivers on its fiduciary duties to properly hold management accountable and provide effective oversight of the Company and to ensure that it pursues opportunities to protect and enhance shareholder value.

We are therefore seeking the support of Green Dot shareholders to elect our Nominees at the Annual Meeting to send the Board a clear message that shareholders believe the status quo is unacceptable, a new, highly qualified CEO is paramount, and meaningful change to the composition of the Board is necessary to drive sustainable shareholder value. Although the election of our Nominees to the Board at the Annual Meeting would not remove Mr. Streit as CEO and may not result in his termination as CEO, we believe it would demonstrate a vote of no confidence in Mr. Streit's ability to lead the Company.

We are Concerned with the Company's Executive Compensation Practices

We believe the Board has fundamentally misaligned management by tying historical incentive compensation to revenue and EBITDA growth rather than using metrics that we believe are more appropriately aligned with shareholder value creation. As a result, while management has achieved some of its performance targets, per share earnings have been generally stagnant, and the most important metric in our view, shareholder returns, have been abysmal. Since going public in 2010, Green Dot has grown revenue and EBITDA at compound growth rates of 13.2% and 9.7%, respectively, yet during that time, earnings per share have failed to materially increase and shareholder value has been destroyed as evidenced by a total stock price decline of 71% during the last five calendar years.

We also believe Mr. Streit has been the primary beneficiary of the long-tenured directors who control the Compensation Committee, namely, Mr. Aldrich as Chairman and Messrs. Greenleaf and Moritz, as members. Not only has Mr. Streit's compensation diverged from Green Dot's performance, but he appears to be compensated inequitably when compared to the other NEOs.

For example, consider the recommendation of Barney & Barney LLC, Green Dot's compensation consultant in 2013, to target the 50th percentile of compensation among the Company's peer group for all of its NEOs. The Compensation Committee adopted this recommendation for all NEOs, except Mr. Streit, whose equity-based compensation inexplicably exceeded the peer group's 75th percentile. In addition to receiving 200,000 time-based RSU's in 2013, which had a fair market value of $5.2 million, the Board also awarded Mr. Streit a $200,000 discretionary cash bonus "in recognition of his accomplishments as our CEO."12 Not only was Mr. Streit the only NEO to be selected for a discretionary cash bonus by the Compensation Committee that year, but the award appeared to be wholly inconsistent with performance alignment considering Green Dot's stock had declined by 19% in the trailing two-year period ending December 31, 2013. This 19% two-year decline in Green Dot's stock compared to a 57% increase by the broader market (Russell 2000 Index) over the same period. In 2013, Mr. Streit's total compensation was $6.6 million, including the $5.2 million time-based RSU grant, which represented 82% of all NEO RSU grants.

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12 Company's 2014 proxy statement.

In 2014, despite a 19% decline in shareholder value, Mr. Streit was awarded approximately $2.3 million of time-based RSU grants, which according to Institutional Shareholder Services Inc. ("ISS"), a leading independent proxy voting advisory firm, was 141% more than the median RSU grants for the CEOs of Green Dot's peer group. Mr. Streit also received a cash bonus of $606,000, which was 13% above the median bonus paid to the CEOs of the Company's peer group.13 Further, in October 2014, Mr. Streit's base salary was increased from $555,000 to $666,000, a generous 20% raise, which we find particularly troubling considering less than two weeks earlier, Green Dot lowered its 2014 annual guidance for revenue, EBITDA, and earnings. At the time the Compensation Committee raised Mr. Streit's base salary, Green Dot's stock had declined by 16% year-to-date, which again leads us to believe that the Board's approach towards compensation is disconnected from shareholder value creation.

We believe shareholders share our serious concerns with Green Dot's executive compensation as evidenced by the dramatic decrease in the shareholder approval rate of the Company's 'say on pay' proposal from approximately 99% of the votes cast in favor of the 'say on pay' proposal at the 2011 Annual Meeting of Shareholders to approximately 67% of the votes cast at the 2014 Annual Meeting of Shareholders (the "2014 Annual Meeting").

Importantly, ISS has likewise raised significant concerns with the Company's executive compensation. ISS not only recommended a vote "AGAINST" the Company's 'say on pay' proposal at the 2014 Annual Meeting but also assigned Green Dot a Governance QuickScore of "10" in the "Compensation" category, indicating the highest level of concern. In making its recommendation, ISS stated:

"The estimated cost of the company's equity compensation program is excessive. CEO pay has significantly increased from prior levels, due primarily to a substantial equity grant which is entirely time-based and not in line with peer companies. The company also provided off- cycle grants to compensate executives for their underwater options, while implementing a separate option exchange program for broader-based employees."

Despite ISS' adverse recommendation and after garnering just a 67% approval vote for the 'say on pay' proposal at the 2014 Annual Meeting, the Board chose to maintain the same misaligned metrics - revenue and EBITDA - for incentive compensation in 2015. It is therefore unsurprising that in its 2015 report, ISS cited ongoing concerns with the Company's executive compensation program and recommended a "WITHHOLD" vote on the election of Messrs. Aldrich and Shaheen, as Compensation Committee members, at the 2015 Annual Meeting of Shareholders (the "2015 Annual Meeting") for failing to take any action to change Green Dot's executive compensation given the low shareholder support at the 2014 Annual Meeting.

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13 ISS' 2015 proxy advisory report.

Perhaps in response to ISS or Harvest's private criticism in early March, the Board issued Mr. Streit $2.69 million of performance-based RSU grants on March 31, 2015 that were tied to Green Dot's total shareholder return. While on the surface it would seem that the Compensation Committee finally took steps to more appropriately align executive compensation with a metric associated with shareholder value, according to the award agreement, 50% of Mr. Streit's RSU's will vest if Green Dot's total shareholder return outperforms just 25% of the S&P 600 constituents. Stated another way, even if Green Dot underperforms 75% of the market, Mr. Streit would still receive approximately $1.35 million of performance-based compensation.

Consistent with the concerns raised by ISS and its recommendation of a "WITHHOLD" vote on the election of Messrs. Aldrich and Shaheen at the 2015 Annual Meeting, we likewise believe Messrs. Greenleaf and Moritz, as Compensation Committee members, should be held accountable for Green Dot's continued failure to appropriately align executive compensation with Company performance. In fact, ISS recommended a "WITHHOLD" vote against the election of Messrs. Greenleaf and Moritz at the 2013 Annual Meeting of Shareholders given the Company's problematic compensation practices and the Board's implementation of an option exchange program without prior shareholder support. We also believe Messrs. Greenleaf and Moritz share responsibility with Mr. Aldrich for Green Dot's confusing engagement of three different third party compensation consultants in the span of just 18 months. As a result of this discontinuity, we believe the peer group and operating metrics for executive performance-based compensation have been inconsistent and misaligned with shareholder value creation.

We Are Concerned with the Company's Poor Corporate Governance

We are concerned with the Company's poor corporate governance, which we believe severely limits the ability of shareholders to seek effective change at Green Dot.

The Board is classified into three separate classes, meaning its directors are only subject to re-election by shareholders once every three years. We believe the ability of shareholders to select directors each year is an important check on the performance of the Board and is critical in allowing shareholder input on the direction and state of the Company. To the contrary, Green Dot's current classified Board structure, in our view, impedes shareholders' ability to regularly and effectively evaluate the performance of the Company's directors and insulates the incumbent Board members from accountability for their apparent lapses in oversight and weak performance.

Furthermore, shareholders are prohibited from calling special meetings, cannot act by written consent, and must obtain a prohibitively high supermajority vote to amend shareholder-unfriendly provisions in the Company's organizational documents, which likewise serves to disenfranchise shareholders. We believe that the Board should not be able to utilize Green Dot's corporate machinery to insulate itself and prevent changes that would benefit all shareholders.

Importantly, ISS shares our serious concerns, assigning Green Dot a Governance QuickScore of "8" and "10" for 2015 and 2014, respectively, indicating severe governance concerns. We believe the Board's ineffectiveness at tackling the real shareholder concerns at Green Dot is in large part a function of the troubling misalignment of interests between the directors and Green Dot shareholders.

We are Concerned with the Lack of Sufficient Stock Ownership among Green Dot's Independent Directors

We believe the substantial realized profits (through Green Dot's IPO, secondary, and other open market share sales) and declining ownership position of Green Dot's incumbent independent directors may compromise the Board's ability to properly evaluate the substantial opportunities to enhance shareholder value at the Company. Based upon our review of the Company's public filings, the independent members of the Board collectively own less than 3% of Green Dot's outstanding shares of Common Stock, which includes shares underlying certain options and RSUs granted to such directors in their capacities as directors of the Company. Harvest and two of its Nominees, on the other hand, collectively own an aggregate of 4,715,690 shares, representing approximately 9.4% of Green Dot's outstanding shares, which consists of 4,707,640 shares owned by Harvest, representing approximately 9.3% of Green Dot's outstanding shares and 8,050 shares owned by Messrs. Livingston and Fanlo, representing less than 1% of Green Dot's outstanding shares. In fact, during the last few months, Messrs. Livingston and Fanlo have purchased more shares in open market transactions than all of Green Dot's current incumbent independent directors in the public market history of the Company, with each of Messrs. Livingston and Fanlo having purchased 4,050 shares and 4,000 shares, respectively. While Mr. Streit is one of the Company's larger shareholders, we believe his priorities as founding CEO are focused on preserving his position and the status quo as demonstrated by the Company's persistent erosion of shareholder value under his tenure.

It seems apparent to us that with so little "skin in the game" and not enough confidence in the Company to engage in meaningful stock purchases, the Board does not have the same objective alignment to create shareholder value as we do. In fact, between the Company's 2014 and 2015 proxy filings, the stock ownership of Messrs. Greenleaf and Moritz declined by 34% and 88%, respectively. We believe a Board culture focused on long-term value creation and shareholder accountability requires directors who collectively have a significant personal financial commitment to the Company along with relevant experience.

We Believe Substantial Opportunities Exist at Green Dot to Create Value for All Shareholders

As a long-term investor in Green Dot, Harvest is focused on changes that we believe are essential to creating a platform for long-term shareholder value creation. Given the duration and magnitude of Green Dot's underperformance under Mr. Streit's leadership and certain long-tenured Board members, we believe the best outcome for our fellow long-term shareholders would be driven by leadership changes at the CEO and Board levels. Considering Green Dot's substantial strategic asset value and inherent earnings power, we believe there are significant opportunities to unlock value for shareholders. As detailed in our Green Dot Presentation and briefly outlined below, we believe Green Dot has a visible path to nearly double its earnings per share over the next three years based on "self-help" initiatives focused on reasonable strategic and financial strategies:

- Remove Mr. Streit as CEO and Install a Proven Leader. As outlined above, during the past five years under Mr. Streit's leadership, Green Dot has significantly underperformed the broader market and its peer group. Further, Mr. Streit has failed to execute on many strategic initiatives and has struggled to properly communicate with shareholders. We believe hiring a proven leader, who can methodically execute on strategic initiatives while embracing employee collaboration, would re-energize the talented Green Dot organization and rebuild credibility in the investment community.

- Reconstitute the Board and Adopt Policies Targeting Shareholder Alignment. We believe the Board is misaligned, entrenched, and lacks a shareholder-friendly mindset. Green Dot's long-tenured directors, Messrs. Greenleaf and Moritz, appear complacent towards Mr. Streit's apparent shortcomings and have failed to hold him accountable for Green Dot's prolonged underperformance, inconsistent financial forecasting, and misleading investor communications.

- Realign Green Dot's Strategic Initiatives to Balance Realistic Growth Targets with Profitability. We believe Green Dot must forego its outdated goal of double-digit revenue growth and instead, implement realistic revenue growth targets such as active card and ARPU growth of 2.5% and 5.0%, respectively. Doing so would allow management to eschew numerous distractions and focus on cost reductions and operating leverage, which we believe would lead to double-digit organic EPS growth and significant cash flow to fund accretive acquisitions, strategic growth initiatives like secured credit, and methodical share repurchases.

- Right-size the Cost Structure and Optimize the Capital Structure. Since 2010, Green Dot's compensation & benefits, processing expenses, and G&A expenses have each grown at a faster rate than revenue. Based on conversations with a third party cost structure consultant, former Green Dot employees, and current and former employees and executives at comparable companies who are familiar with Green Dot's business, Harvest believes Green Dot can eliminate material inefficient annual expenses through a standard realignment. These activities may include relocating certain call center functions to lower cost geographies, eliminating certain complimentary IT development expenses for partners, and eliminating certain non-revenue producing projects. While it is our belief Green Dot can reduce its annual operating expenses, our assumptions may prove incorrect and there is no guarantee the Company will achieve any such expected savings. Independent of a one-time restructuring, we believe Green Dot must abandon its "instinctive" budgeting approach and adopt a strenuous, ROI-based discipline towards spending decisions. We believe the Board must also adopt a policy that compares future investments and acquisitions against the relative "cheapness" of the Company's own equity.

With the right leadership, alignment of interests, and governance structures in place, we believe Green Dot can deliver substantial value for all stakeholders.

Our Nominees Have the Experience, Qualifications and Commitment Necessary to Fully Explore Available Opportunities to Unlock Value for Green Dot Shareholders

For the reasons set forth above, we lack confidence in management's and the Board's ability to unlock value for the benefit of all Green Dot shareholders. Further, we believe the Company's underperformance and poor corporate governance practices warrant the addition of direct shareholder representatives to the Board, whose interests are closely aligned with those of all shareholders and who would work constructively to protect the best interests of all Green Dot stakeholders.

We have identified and nominated three highly qualified directors with considerable credibility, decades of relevant experience, talent, and above all else, a deep commitment to shareholder-alignment, which we believe will allow them to independently make informed decisions to explore and identify opportunities to unlock value at Green Dot. If our Nominees are elected at the Annual Meeting, we believe it will send a clear message to the Board that the status quo is unacceptable and that Mr. Streit must be replaced with a proven, transformational leader who is capable of delivering on strategic initiatives and unlocking the substantial trapped value in Green Dot.

Saturnino "Nino" Fanlo has over 30 years of industry experience in financial services, banking, and capital markets. Mr. Fanlo currently serves as President and Chief Financial Officer of Social Finance, Inc. (a/k/a SoFi), a marketplace lender and financial services company. Prior to SoFi, he served as Senior Advisor at Golden Gate Capital, a San Francisco-based private equity firm, and as a Partner at Kohlberg Kravis Roberts & Co. (currently KKR & Co. L.P.), where he led the Company's fixed income business and served as Chief Executive Officer and a director of NYSE listed KKR Financial Holdings LLC. Prior to KKR, Mr. Fanlo was the Executive Vice President and Treasurer of Wells Fargo & Company, during which time he founded the Principal Investments group as well as Sutter Advisors LLC, a registered investment advisor and wholly-owned subsidiary of Wells Fargo. Previously, Mr. Fanlo served as Vice President at Goldman Sachs Group, Inc., where he was responsible for the Commercial Mortgage Backed Securities desk. Mr. Fanlo also held prior investment banking and asset management roles at Credit Suisse Group AG, Metropolitan Life Insurance Company and Australian Capital Equity Pty Ltd.

George W. Gresham has an extensive background in the payments and financial services industries and significant experience building and leading enterprises through complex transactions, restructurings, international expansion and capital market transactions. Mr. Gresham previously served as the Chief Financial Officer and Executive Vice President of NetSpend Holdings, Inc., a provider of general purpose reloadable prepaid accounts, where he played an integral role in the company's sale to TSYS. Mr. Gresham also previously served as Chief Financial Officer and Executive Vice President of Global Cash Access, Inc., which was a multinational enterprise engaged in providing specialty merchant payment processing solutions to operators of gaming properties, and as Chief Financial Officer, Chief Administrative Officer and Executive Vice President of eFunds Corporation, which specialized in providing multinational enterprises with complex payment and payments-related technology solutions. Mr. Gresham currently serves as the Chief Executive Officer and owner of Granite Reef Advisers, Inc., an advisory firm focused on providing third-party clients assistance in the evaluation of acquisition targets, and as a director of BluePay, Inc., a provider of technology-enabled merchant processing services.

Philip Livingston has extensive public and private company experience as both an operating executive and board member with a proven track record of helping to guide companies with operating challenges. During his 25-year career as a public and private company executive, Mr. Livingston served as both a director and audit committee chairman for Broadsoft Corporation, Insurance Auto Auction, Cott Corporation, MSC Software, and Seitel Inc. Mr. Livingston's significant operating experience includes serving as Chief Financial Officer for Celestial Seasonings, Inc., Catalina Marketing Corporation, and World Wrestling Entertainment. He most recently served as Chief Executive Officer and a director of Ambassadors Group. Prior to that, he was Chief Executive Officer of LexisNexis Web Based Marketing Solutions and President of Financial Executives International, the leading professional association of chief financial officers and controllers. In that role he led the organization's support of regulatory and corporate governance reforms culminating in the Sarbanes-Oxley Act. He is a current member of the American Institute of CPAs (AICPA). He previously served on the Financial Accounting Standards Board Advisory Council and the Standards Advisory Council of the International Accounting Standards Board. He also served on the AICPA CPA Board of Examiners that oversees the CPA exam for U.S. state boards of accountancy. Mr. Livingston's earlier career included positions in financial management and auditing with Genentech, Inc. and Ernst & Young.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Company has a classified Board, which is currently divided into three classes. The directors in each class are elected for terms of three years so that the term of office of one class of directors expires at each annual meeting of shareholders. We believe that the terms of three directors expire at the Annual Meeting. We are seeking your support at the Annual Meeting to elect our Nominees in opposition to the Company's three director nominees for terms ending in 2019. Your vote to elect our Nominees will have the legal effect of replacing three incumbent directors with the Nominees. If elected, our Nominees will represent a minority of the members of the Board, and therefore it is not guaranteed that they can implement the actions that they believe are necessary to enhance shareholder value as described in further detail above.

THE NOMINEES

The following information sets forth the name, age, business address, present principal occupation, and employment and material occupations, positions, offices, or employments for the past five years of each of the Nominees. The nominations were made in a timely manner and in compliance with the applicable provisions of the Company's governing instruments. The specific experience, qualifications, attributes and skills that led us to conclude that the Nominees should serve as directors of the Company are set forth above in the section entitled "Reasons for the Solicitation" and below. This information has been furnished to us by the Nominees. All of the Nominees are citizens of the United States.

Saturnino "Nino" Fanlo, age 55, has served as President and Chief Financial Officer of Social Finance, Inc. (a/k/a SoFi), a marketplace lender and financial services company, since June 2012. He previously served as Chief Operating Officer of SoFi from December 2013 to August 2015 and as a member of its Board of Directors from June 2012 to September 2015. Prior to SoFi, Mr. Fanlo served as Senior Advisor at Golden Gate Capital, a private equity firm, from April 2009 to February 2011. Previously, Mr. Fanlo served as Chief Executive Officer and a director of KKR Financial Holdings LLC (formerly NYSE:KFN), a subsidiary of KKR & Co. L.P. (NYSE:KKR), from 2004 to 2008. Mr. Fanlo also previously served as Executive Vice President and Treasurer of Wells Fargo & Company (NYSE:WFC) ("Wells Fargo"), from July 2000 to June 2004. As Executive Vice-President of Wells Fargo, Mr. Fanlo founded the Principal Investments group. Mr. Fanlo was also founder and, from August 2001 to June 2004, President of Sutter Advisors LLC, a registered investment advisor formed in 2001 and a wholly-owned subsidiary of Wells Fargo. Mr. Fanlo joined Wells Fargo in 1995, serving in various positions, including as Executive Vice President, Senior Vice President, and Vice President. Prior to Wells Fargo, he served as Vice President at Goldman Sachs Group, Inc. (NYSE:GS), from 1990 to 1995, where he was responsible for the Commercial Mortgage Backed Securities desk. Mr. Fanlo has also had prior investment banking and asset management roles at Credit Suisse Group AG (NYSE:CS), Metropolitan Life Insurance Company (NYSE:MET) and Australian Capital Equity Pty Ltd., where he focused on commercial real estate fixed income assets as well as capital raising and funding activities. In addition, Mr. Fanlo previously served as a director of Capmark Financial Group Inc. (formerly OTCMKTS:CPMK) from 2006 until 2009. Mr. Fanlo earned his B.A. in Economics from Haverford College. Harvest believes Mr. Fanlo's over 30 years of experience in financial services and capital markets would make him well-qualified to serve on the Board.

George W. Gresham, age 49, is the owner and Chief Executive Officer of Granite Reef Advisers, Inc., an advisory firm focused on providing third-party clients assistance in the evaluation and consideration of acquisition targets or in the executional efforts surrounding company dispositions, and has served in such capacities since July 2013. Mr. Gresham has also served on the Board of Directors and as Chairman of the Audit Committee of BluePay, Inc., a provider of technology-enabled merchant processing services, since July 2013. Mr. Gresham previously served on the Board of Directors and as Chairman of the Audit Committee of SterlingBackcheck, Inc., an international provider of background checks and employment screening services, from November 2014 to June 2015. From May 2010 through June 2013, Mr. Gresham served as the Chief Financial Officer and Executive Vice President of NetSpend Holdings, Inc. (formerly NASDAQ:NTSP)("NetSpend"), a provider of general purpose reloadable prepaid accounts that was acquired by Total System Services, Inc. (NYSE:TSS). Prior to joining NetSpend, from February 2008 to May 2010, Mr. Gresham served as Chief Financial Officer and Executive Vice President of Global Cash Access, Inc. (n/k/a Everi Holdings Inc. (NYSE:EVRI)), a provider of payment processing services. From May 2002 until October 2007, Mr. Gresham served as Chief Financial Officer, Chief Administrative Officer and Executive Vice President of eFunds Corporation (formerly NYSE:EFD), a company that specialized in the development and deployment of payment and payments-related technology. From 1991 through 2002, Mr. Gresham served in various positions with Deloitte LLP. Mr. Gresham earned a B.S. in Accountancy from Northern Arizona University and an M.B.A. from the Thunderbird School of Global Management. Harvest believes Mr. Gresham's significant experience serving as a director and senior executive of publicly traded payment services companies would make him a valuable addition to the Board.

Philip B. Livingston, age 59, served as Chief Executive Officer and a director of Ambassadors Group, Inc. (formerly NASDAQ:EPAX), a provider of educational travel experiences and online educational research materials ("Ambassadors Group"), from May 2014 to October 2015, and currently serves as the sole director of the company. Prior to joining Ambassadors Group, Mr. Livingston served as Chief Executive Officer of LexisNexis Martindale-Hubbell's Web Based Marketing Solutions division, a provider of software applications and marketing services for the legal industry ("LexisNexis"), until October 2013. He joined LexisNexis in April 2009 as Senior Vice President of Practice Management and served in executive management positions from April 2009 to October 2013. Previously, Mr. Livingston served as Chief Financial Officer for World Wrestling Entertainment, Inc. (NYSE:WWE), from 2003 to 2005, Catalina Marketing Corporation, from 1995 to 1998, and Celestial Seasonings, Inc., from 1993 to 1995. From 1999 to 2003, he served as President and Chief Executive Officer of Financial Executives International, a leading professional association of chief financial officers and controllers. Mr. Livingston has served as a director of Rand Worldwide, Inc. (OTCMKTS:RWWI), an operator of technology and professional services providers to the engineering community, since November 2014. He also currently serves as Chief Operating Officer of UASUSA, a manufacturer of commercial drones, a position he has held since March 2016. He previously served on the Boards of Directors of SITO Mobile Ltd. (OTCBB:SITO), a mobile advertising company, from November 2014 to February 2016, Nexsan Technologies, Inc., a provider of secondary storage devices and archival compliance software that was acquired by a strategic investor in 2012, from 2007 to December 2012, and Broadsoft Inc., a leading provider of voice over the Internet enterprise software that later went public, from 2005 to 2010. He also previously served as a director of Seitel, Inc., a leader in oil and gas seismic data that was later taken private by ValueAct Capital, from 2007 to 2010, Approva Corporation, an enterprise software development company that was sold to a strategic advisor in 2009, from 2003 to 2009, Cott Corporation (NYSE:COT), a leading manufacturer of retailer-branded carbonated soft drinks, from 2003 to 2009, and QLT, Inc. (NASDAQ:QLTI), a pharmaceutical company, from 2007 to 2008. Mr. Livingston's earlier career included positions in financial management and auditing with Genentech, Inc. and Ernst & Young. He is a current member of the American Institute of CPAs (AICPA). Mr. Livingston previously served on the Financial Accounting Standards Board Advisory Council and the Standards Advisory Council of the International Accounting Standards Board. He also served on the AICPA CPA Board of Examiners that oversees the CPA exam for U.S. state boards of accountancy. Mr. Livingston earned a B.A. in Business Management and a B.S. in Government and Politics from the University of Maryland and an M.B.A. in Finance and Accounting from the University of California, Berkeley. Harvest believes that Mr. Livingston's extensive experience in public company leadership as both an operating executive and board member coupled with his financial expertise would make him well-qualified to serve on the Board.

The principal business address of Mr. Fanlo is c/o Social Finance, Inc., 1 Letterman Drive, Building A, Suite 4700, San Francisco, California 94129. The principal business address of Mr. Gresham is 2355 E. Orangewood Ave., Phoenix, Arizona 85020. The principal business address of Mr. Livingston is 7145 Cedarwood Circle, Boulder, Colorado 80301.

As of the date hereof, Mr. Fanlo directly owned 4,000 shares of Common Stock of the Company, representing less than 1% of Green Dot's outstanding shares. As of the date hereof, Mr. Gresham did not own beneficially or of record any securities of the Company and has not made any purchases or sales of any securities of the Company during the past two years. As of the date hereof, Mr. Livingston directly owned 4,050 shares of Common Stock of the Company, representing less than 1% of Green Dot's outstanding shares. The shares of Common Stock directly owned by Messrs. Fanlo and Livingston were purchased in the open market with personal funds. For information regarding purchases and sales during the past two years in securities of the Company by Messrs. Fanlo and Livingston, see Schedule I.

Each of the Nominees may be deemed to be a member of the Group (as defined below) for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each of the Nominees specifically disclaims beneficial ownership of shares of Common Stock that he does not directly own. For information regarding purchases and sales during the past two years by members of the Group of securities of the Company, see Schedule I.

The members of Harvest and the Nominees are collectively referred to as the "Group" herein.

The members of Harvest have signed letter agreements pursuant to which they have agreed to indemnify Messrs. Fanlo, Gresham and Livingston against claims arising from the solicitation of proxies from the Company shareholders in connection with the Annual Meeting and any related transactions.

On March 16, 2016, Harvest Small Cap Master, Harvest Small Cap Partners, HSCP Strategic, Harvest Financial, Harvest Capital, Jeffrey B. Osher, Donald Destino, Craig Baum, and the Nominees entered into a Joint Filing and Solicitation Agreement in which, among other things, (a) the Group agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Company to the extent required by applicable law, (b) the Group agreed to solicit proxies or written consents for the election of the Nominees, or any other person(s) nominated by the Group, to the Board at the Annual Meeting (the "Solicitation"), and (c) Harvest agreed to bear all expenses incurred in connection with the Group's activities, including approved expenses incurred by any of the parties in connection with the Solicitation, subject to certain limitations.

Other than as stated herein, there are no arrangements or understandings between members of Harvest and any of the Nominees or any other person or persons pursuant to which the nomination of the Nominees described herein is to be made, other than the consent by each of the Nominees to be named in this Proxy Statement and to serve as a director of the Company if elected as such at the Annual Meeting. None of the Nominees is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries in any material pending legal proceedings.

Harvest believes that each Nominee presently is, and if elected as a director of the Company would be, an "independent director" within the meaning of (i) applicable New York Stock Exchange ("NYSE") listing standards applicable to board composition and (ii) Section 301 of the Sarbanes-Oxley Act of 2002. No Nominee is a member of the Company's compensation, nominating or audit committee that is not independent under any such committee's applicable independence standards.

We do not expect that the Nominees will be unable to stand for election, but, in the event any Nominee is unable to serve or for good cause will not serve, the shares of Common Stock represented by the enclosed GREEN proxy card will be voted for substitute nominee(s), to the extent this is not prohibited under Green Dot's Bylaws and applicable law. In addition, we reserve the right to nominate substitute person(s) if the Company makes or announces any changes to its Bylaws or takes or announces any other action that has, or if consummated would have, the effect of disqualifying any Nominee, to the extent this is not prohibited under the Bylaws and applicable law. In any such case, we would identify and properly nominate such substitute nominees in accordance with the Company's Bylaws and shares of Common Stock represented by the enclosed GREEN proxy card will be voted for such substitute nominee(s). We reserve the right to nominate additional person(s), to the extent this is not prohibited under the Bylaws and applicable law, if the Company increases the size of the Board above its existing size or increases the number of directors whose terms expire at the Annual Meeting. Additional nominations made pursuant to the preceding sentence are without prejudice to the position of Harvest that any attempt to increase the size of the current Board or to reconstitute or reconfigure the classes on which the current directors serve, constitutes an unlawful manipulation of the Company's corporate machinery.

WE URGE YOU TO VOTE "FOR" THE ELECTION OF THE NOMINEES ON THE ENCLOSED GREEN PROXY CARD.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As discussed in further detail in the Company's proxy statement, the Audit Committee of the Board has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016 and is proposing that shareholders ratify such appointment. The Company is submitting the appointment of Ernst & Young LLP for ratification of the shareholders at the Annual Meeting.

WE MAKE NO RECOMMENDATION WITH RESPECT TO THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016 AND INTEND TO VOTE OUR SHARES "FOR" THIS PROPOSAL.

PROPOSAL NO. 3

SHAREHOLDER PROPOSAL TO ADOPT A MAJORITY VOTING STANDARD IN UNCONTESTED DIRECTOR ELECTIONS

As discussed in further detail in the Company's proxy statement, CalSTRS, a shareholder of the Company, has submitted a proposal to the Company, which calls for the adoption of a majority voting standard in uncontested director elections. If the shareholder proponent, or a representative who is qualified under state law, is present at the Annual Meeting and submits the proposal for a vote, then the proposal will be voted upon. Accordingly, if presented, CalSTRS is asking shareholders to vote for the following resolution:

"BE IT RESOLVED: That the shareholders of Green Dot Corporation hereby request that the Board of Directors initiate the appropriate process to amend the Company's articles of incorporation and/or bylaws to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats."

WE RECOMMEND A VOTE "FOR" THE SHAREHOLDER PROPOSAL, IF PROPERLY PRESENTED, TO ADOPT A MAJORITY VOTING STANDARD IN UNCONTESTED DIRECTOR ELECTIONS AND INTEND TO VOTE OUR SHARES "FOR" THIS PROPOSAL.

VOTING AND PROXY PROCEDURES

Shareholders are entitled to one vote for each share of Common Stock held of record on the Record Date with respect to each matter to be acted on at the Annual Meeting. Only shareholders of record on the Record Date will be entitled to notice of and to vote at the Annual Meeting. Shareholders who sell their shares of Common Stock before the Record Date (or acquire them without voting rights after the Record Date) may not vote such shares of Common Stock. Shareholders of record on the Record Date will retain their voting rights in connection with the Annual Meeting even if they sell such shares of Common Stock after the Record Date. Based on publicly available information, Harvest believes that the only outstanding class of securities of the Company entitled to vote at the Annual Meeting is the shares of Class A Common Stock.

Shares of Common Stock represented by properly executed GREEN proxy cards will be voted at the Annual Meeting as marked and, in the absence of specific instructions, will be voted FOR the election of the Nominees, FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016, FOR the shareholder proposal, if properly presented, to adopt a majority voting standard in uncontested director elections, and in the discretion of the persons named as proxies on all other matters as may properly come before the Annual Meeting, as described herein.

According to the Company's proxy statement for the Annual Meeting, the current Board intends to nominate three candidates for election as Class III directors at the Annual Meeting. This Proxy Statement is soliciting proxies to elect only our three Nominees. Accordingly, the enclosed GREEN proxy card may only be voted for the Nominees and does not confer voting power with respect to the Company's nominees. Harvest intends to vote all of its Shares in favor of the Nominees.

QUORUM; BROKER NON-VOTES; DISCRETIONARY VOTING

A quorum is the minimum number of shares of Common Stock that must be represented at a duly called meeting in person or by proxy in order to legally conduct business at the meeting. For the Annual Meeting, the presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock as of the Record Date, will be considered a quorum allowing votes to be taken and counted for the matters before the shareholders.

Abstentions are counted as present and entitled to vote for purposes of determining a quorum. Shares represented by "broker non-votes" also are counted as present and entitled to vote for purposes of determining a quorum. However, if you hold your shares in street name and do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote (a "broker non-vote"). Under rules of the New York Stock Exchange, your broker will not have discretionary authority to vote your shares at the Annual Meeting on any of the proposals.

If you are a beneficial owner, your broker will vote your shares pursuant to your instructions, and those shares will count in the determination of a quorum. Brokers do not have discretionary authority to vote on any of the proposals at the Annual Meeting. Accordingly, unless you vote via proxy card or provide instructions to your broker, your shares of Common Stock will count for purposes of attaining a quorum, but will not be voted on those proposals.

VOTES REQUIRED FOR APPROVAL

Election of Directors According to the Company's proxy statement, directors will be elected pursuant to a plurality voting standard, which means that the three nominees for director receiving the highest number of "FOR" votes will be elected as directors of the Company. With respect to the election of directors, only votes cast "FOR" a nominee will be counted. Proxy cards specifying that votes should be withheld with respect to one or more nominees will result in those nominees receiving fewer votes but will not count as a vote against the nominees. Neither an abstention nor a broker non-vote will count as a vote cast "FOR" or "AGAINST" a director nominee. Therefore, abstentions and broker non-votes will have no direct effect on the outcome of the election of directors.

Ratification of the Selection of Accounting Firm According to the Company's proxy statement, assuming that a quorum is present, the appointment of Ernst & Young LLP will be deemed to have been ratified if the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting vote in favor of ratification. The Company has indicated that broker non-votes and abstentions will have no effect on the ratification of the selection.

Shareholder Proposal for the Adoption of a Majority Voting Standard in Uncontested Director Elections According to the Company's proxy statement, assuming that a quorum is present, the shareholder proposal to adopt a majority voting standard in uncontested director elections will be deemed to have been approved if the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting vote in favor of its adoption. The Company has indicated that broker non-votes and abstentions will have no effect on the adoption of the shareholder proposal.

Under applicable Delaware law, none of the holders of Common Stock is entitled to appraisal rights in connection with any matter to be acted on at the Annual Meeting. If you sign and submit your GREEN proxy card without specifying how you would like your shares voted, your shares will be voted in accordance with Harvest's recommendations specified herein and in accordance with the discretion of the persons named on the GREEN proxy card with respect to any other matters that may be voted upon at the Annual Meeting.

REVOCATION OF PROXIES

Shareholders of the Company may revoke their proxies at any time prior to exercise by attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy), by voting again by telephone or through the Internet, by delivering a written notice of revocation, or by signing and delivering a subsequently dated proxy which is properly completed. The revocation may be delivered either to Harvest in care of Okapi Partners at the address set forth on the back cover of this Proxy Statement or to the Company at 3465 East Foothill Boulevard, Pasadena, California 91107 or any other address provided by the Company. Although a revocation is effective if delivered to the Company, we request that either the original or photostatic copies of all revocations be mailed to Harvest in care of Okapi Partners at the address set forth on the back cover of this Proxy Statement so that we will be aware of all revocations and can more accurately determine if and when proxies have been received from the holders of record on the Record Date of a majority of the outstanding shares of Common Stock. Additionally, Okapi Partners may use this information to contact shareholders who have revoked their proxies in order to solicit later dated proxies for the election of the Nominees.

IF YOU WISH TO VOTE FOR THE ELECTION OF THE NOMINEES TO THE BOARD, PLEASE SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED GREEN PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.

SOLICITATION OF PROXIES

The solicitation of proxies pursuant to this Proxy Statement is being made by Harvest. Proxies may be solicited by mail, facsimile, telephone, telegraph, Internet, in person and by advertisements.

Members of Harvest have entered into an agreement with Okapi Partners for solicitation and advisory services in connection with this solicitation, for which Okapi Partners will receive a fee not to exceed $300,000, together with reimbursement for its reasonable out-of-pocket expenses, and will be indemnified against certain liabilities and expenses, including certain liabilities under the federal securities laws. Okapi Partners will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders. Harvest has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward all solicitation materials to the beneficial owners of the shares of Common Stock they hold of record. Harvest will reimburse these record holders for their reasonable out-of-pocket expenses in so doing. It is anticipated that Okapi Partners will employ approximately 24 persons to solicit shareholders for the Annual Meeting.

The entire expense of soliciting proxies is being borne by Harvest. Costs of this solicitation of proxies are currently estimated to be approximately $600,000 (including, but not limited to, fees for attorneys, solicitors and other advisors, and other costs incidental to the solicitation). Harvest estimates that through the date hereof its expenses in connection with this solicitation are approximately $275,000. Harvest intends to seek reimbursement from the Company of all expenses it incurs in connection with this solicitation. Harvest does not intend to submit the question of such reimbursement to a vote of security holders of the Company.

ADDITIONAL PARTICIPANT INFORMATION

The Nominees and the members Harvest are participants in this solicitation.

The principal business of each of Harvest Small Cap Master, an exempted company organized under the laws of the Cayman Islands, Harvest Small Cap Partners, a Delaware limited partnership, HSCP Strategic, a Delaware limited partnership, and Harvest Financial, a Delaware limited partnership, is investing in securities. Harvest Capital, a Delaware limited liability company, is a registered investment adviser with the Securities and Exchange Commission and serves as the investment adviser to certain managed accounts (the "Harvest Capital Accounts") and as the investment manager of Harvest Small Cap Master. Harvest Capital also serves as the general partner of each of Harvest Small Cap Partners, HSCP Strategic and Harvest Financial. Each of Messrs. Osher, Destino and Baum is a managing director of Harvest Capital. In addition, Mr. Osher serves as the portfolio manager of each of Harvest Small Cap Master, Harvest Small Cap Partners and HSCP Strategic. Mr. Destino serves as the portfolio manager of Harvest Financial and manages the Harvest Capital Accounts.

The address of the principal office of each of Harvest Small Cap Master, Harvest Small Cap Partners, HSCP Strategic, Harvest Financial, Harvest Capital and Messrs. Osher, Destino and Baum is 600 Montgomery Street, Suite 1700, San Francisco, California 94111.

As of the date hereof, Harvest Small Cap Master directly owned 1,968,324 shares of Common Stock, representing approximately 3.9% of Green Dot's outstanding shares. As of the date hereof, Harvest Small Cap Partners directly owned 1,481,676 shares of Common Stock, representing approximately 2.9% of Green Dot's outstanding shares. As of the date hereof, HSCP Strategic directly owned 1,000,000 shares of Common Stock, representing approximately 2.0% of Green Dot's outstanding shares. As of the date hereof, Harvest Financial directly owned 51,825 shares of Common Stock, representing less than 1% of Green Dot's outstanding shares. As of the date hereof, 51,315 shares of Common Stock were held in the Harvest Capital Accounts, representing less than 1% of Green Dot's outstanding shares. Harvest Capital, as the investment manager of Harvest Small Cap Master and the investment adviser of the

Harvest Capital Accounts and as the general partner of each of Harvest Small Cap Partners, HSCP Strategic and Harvest Financial, may be deemed the beneficial owner of an aggregate of 4,553,140 shares of Common Stock, representing approximately 9.0% of Green Dot's outstanding shares, owned by Harvest Small Cap Master, Harvest Small Cap Partners, HSCP Strategic, and Harvest Financial and held in the Harvest Capital Accounts. Mr. Destino, as a managing director of Harvest Capital and as a portfolio manager of Harvest Financial and as the manager of the Harvest Capital Accounts, may be deemed the beneficial owner of an aggregate of 103,140 shares of Common Stock, representing less than 1% of Green Dot's outstanding shares, owned by Harvest Financial and held in the Harvest Capital Accounts. As of the date hereof, 147,000 shares of Common Stock were held in certain family accounts of Mr. Osher (the "Osher Family Accounts"), representing less than 1% of Green Dot's outstanding shares, which Mr. Osher may be deemed to beneficially own. Mr. Osher, as a managing director of Harvest Capital and as a portfolio manager of each of Harvest Small Cap Master, Harvest Small Cap Partners and HSCP Strategic, may be deemed the beneficial owner of an aggregate of 4,597,000 shares of Common Stock, representing approximately 9.1% of Green Dot's outstanding shares, owned by Harvest Small Cap Master, Harvest Small Cap Partners and HSCP Strategic and held in the Osher Family Accounts. As of the date hereof, Mr. Baum directly owned 7,500 shares of Common Stock, representing less than 1% of Green Dot's outstanding shares.

Each participant in this solicitation, as a member of the Group with the other participants for the purposes of Section 13(d)(3) of the Exchange Act, may be deemed to beneficially own the 4,715,690 shares of Common Stock owned in the aggregate by all of the participants in this solicitation. Each participant in this solicitation disclaims beneficial ownership of the shares of Common Stock he or it does not directly own. For information regarding purchases and sales of securities of the Company during the past two years by the participants in this solicitation, see Schedule I.

The shares of Common Stock purchased by each of Harvest Small Cap Master, Harvest Small Cap Partners, HSCP Strategic, Harvest Financial, and held in the Harvest Capital Accounts were purchased with working capital (which may, at any given time, include margin loans made by brokerage firms in the ordinary course of business) in the open market, except as otherwise noted on Schedule I. The shares of Common Stock held in the Osher Family Accounts were purchased in the open market with personal funds. The shares of Common Stock purchased by each of Messrs. Baum, Fanlo and Livingston were purchased in the open market with personal funds.

Harvest Small Cap Master is short with respect to (i) 228,300 shares of Common Stock and (ii) 285,500 shares of Common Stock underlying American-style call options, which have an exercise price of $20.00 per share and expire on September 16, 2016.

Harvest Small Cap Partners is short with respect to (i) 171,700 shares of Common Stock and (ii) 214,500 shares of Common Stock underlying American-style call options, which have an exercise price of $20.00 per share and expire on September 16, 2016.

Except as set forth in this Proxy Statement (including the Schedules hereto), (i) during the past 10 years, no participant in this solicitation has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors); (ii) no participant in this solicitation directly or indirectly beneficially owns any securities of the Company; (iii) no participant in this solicitation owns any securities of the Company which are owned of record but not beneficially; (iv) no participant in this solicitation has purchased or sold any securities of the Company during the past two years; (v) no part of the purchase price or market value of the securities of the Company owned by any participant in this solicitation is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities; (vi) no participant in this solicitation is, or within the past year was, a party to any contract, arrangements or understandings with any person with respect to any securities of the Company, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies; (vii) no associate of any participant in this solicitation owns beneficially, directly or indirectly, any securities of the Company; (viii) no participant in this solicitation owns beneficially, directly or indirectly, any securities of any parent or subsidiary of the Company; (ix) no participant in this solicitation or any of his or its associates was a party to any transaction, or series of similar transactions, since the beginning of the Company’s last fiscal year, or is a party to any currently proposed transaction, or series of similar transactions, to which the Company or any of its subsidiaries was or is to be a party, in which the amount involved exceeds $120,000; (x) no participant in this solicitation or any of his or its associates has any arrangement or understanding with any person with respect to any future employment by the Company or its affiliates, or with respect to any future transactions to which the Company or any of its affiliates will or may be a party; and (xi) no participant in this solicitation has a substantial interest, direct or indirect, by securities holdings or otherwise, in any matter to be acted on at the Annual Meeting.

There are no material proceedings to which any participant in this solicitation or any of his or its associates is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries. With respect to each of the Nominees, none of the events enumerated in Item 401(f)(1)-(8) of Regulation S-K of the Exchange Act occurred during the past ten years.

OTHER MATTERS AND ADDITIONAL INFORMATION

Harvest is unaware of any other matters to be considered at the Annual Meeting. However, should other matters, which Harvest is not aware of a reasonable time before this solicitation, be brought before the Annual Meeting, the persons named as proxies on the enclosed GREEN proxy card will vote on such matters in their discretion.

SHAREHOLDER PROPOSALS

Proposals of shareholders intended to be presented at the 2017 Annual Meeting of Shareholders (the "2017 Annual Meeting") must, in order to be included in the Company's proxy statement and the form of proxy for the 2017 Annual Meeting, be delivered to the Company's Corporate Secretary at 3465 East Foothill Boulevard, Pasadena, California 91107 not later than December 20, 2016.

Under the Bylaws, any shareholder intending to present any proposal (other than a proposal made by, or at the direction of, the Board) at the 2017 Annual Meeting, must give written notice of that proposal to the Company's Secretary not later than 5:00 p.m. Pacific Time on March 9, 2017 nor earlier than 5:00 p.m. Pacific Time on February 7, 2017 and include in such notice the specific information required under the Bylaws.

The information set forth above regarding the procedures for submitting shareholder proposals for consideration at the 2017 Annual Meeting is based on information contained in the Company's proxy statement. The incorporation of this information in this proxy statement should not be construed as an admission by Harvest that such procedures are legal, valid or binding.

INCORPORATION BY REFERENCE

WE HAVE OMITTED FROM THIS PROXY STATEMENT CERTAIN DISCLOSURE REQUIRED BY APPLICABLE LAW THAT IS EXPECTED TO BE INCLUDED IN THE COMPANY'S PROXY STATEMENT RELATING TO THE ANNUAL MEETING BASED ON RELIANCE ON RULE 14A-5(C). THIS DISCLOSURE IS EXPECTED TO INCLUDE, AMONG OTHER THINGS, CURRENT BIOGRAPHICAL INFORMATION ON THE COMPANY'S DIRECTORS, INFORMATION CONCERNING EXECUTIVE COMPENSATION, AND OTHER IMPORTANT INFORMATION. SEE SCHEDULE II FOR INFORMATION REGARDING PERSONS WHO BENEFICIALLY OWN MORE THAN 5% OF THE SHARES AND THE OWNERSHIP OF THE SHARES BY THE DIRECTORS AND MANAGEMENT OF THE COMPANY.

The information concerning the Company contained in this Proxy Statement and the Schedules attached hereto has been taken from, or is based upon, publicly available information.

Harvest Small Cap Partners Master, Ltd.

_________________, 2016

SCHEDULE I

TRANSACTIONS IN SECURITIES OF THE COMPANY
DURING THE PAST TWO YEARS

Nature of the Transaction	Amount of Shares Purchased/(Sold)	Date of Purchase/Sale
HARVEST SMALL CAP PARTNERS MASTER, LTD.		
Sale of Class A Common Stock	(4,099)	03/31/2014
Sale of Class A Common Stock	(7,128)	04/01/2014
Closing Out Short Sale Against the Box	646,683	04/01/2014
Sale of Class A Common Stock	(7,175)	04/02/2014
Sale of Class A Common Stock	(7,146)	04/03/2014
Sale of Class A Common Stock	(12,290)	04/04/2014
Sale of Class A Common Stock	(9,286)	04/07/2014
Sale of Class A Common Stock	(26,788)	04/08/2014
Sale of Class A Common Stock	(528)	04/16/2014
Sale of Class A Common Stock	(45)	04/17/2014
Sale of Class A Common Stock	(36,042)	04/22/2014
Sale of Class A Common Stock	(51,815)	04/23/2014
Sale of Class A Common Stock	(59,420)	04/24/2014
Sale of Class A Common Stock	(6,025)	04/25/2014
Sale of Class A Common Stock	(11,595)	04/28/2014
Sale of Class A Common Stock	(15,460)	04/29/2014
Sale of Class A Common Stock	(41,200)	04/30/2014
Purchase of Class A Common Stock	36,092	05/01/2014
Purchase of Class A Common Stock	8,992	05/02/2014
Purchase of Class A Common Stock	59,457	05/05/2014
Purchase of Class A Common Stock	23,972	05/06/2014
Purchase of Class A Common Stock	22,513	05/07/2014
Purchase of Class A Common Stock	7,950	05/08/2014
Purchase of Class A Common Stock	16,914	05/09/2014
Purchase of Class A Common Stock	7,413	05/12/2014
Purchase of Class A Common Stock	7,366	05/13/2014
Purchase of Class A Common Stock	7,484	05/14/2014
Purchase of Class A Common Stock	10,966	05/15/2014
Purchase of Class A Common Stock	10,100	05/16/2014
Purchase of Class A Common Stock	13,428	05/19/2014
Purchase of Class A Common Stock	7,306	05/20/2014
Purchase of Class A Common Stock	6,894	05/21/2014
Purchase of Class A Common Stock	9,788	05/23/2014
Purchase of Class A Common Stock	10,039	05/27/2014
Purchase of Class A Common Stock	2,272	06/02/2014
Purchase of Class A Common Stock	11,896	06/03/2014
Purchase of Class A Common Stock	1,695	06/04/2014

Purchase of Class A Common Stock	254	06/05/2014

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Purchase of Class A Common Stock	711,056	06/25/2014
Short Sale of Class A Common Stock	(711,056)	06/25/2014
Purchase of Class A Common Stock	10,842	06/30/2014
Closing Out Short Sale Against the Box	711,056	07/01/2014
Sale of Class A Common Stock	(50)	07/16/2014
Sale of Class A Common Stock	(4,421)	07/17/2014
Sale of Class A Common Stock	(2,554)	07/23/2014
Sale of Class A Common Stock	(4,469)	07/24/2014
Sale of Class A Common Stock	(5,292)	07/25/2014
Sale of Class A Common Stock	(40,401)	07/28/2014
Purchase of Class A Common Stock	660	07/31/2014
Purchase of Class A Common Stock	43,807	08/01/2014
Purchase of Class A Common Stock	14,322	08/06/2014
Purchase of Class A Common Stock	10,674	08/07/2014
Purchase of Class A Common Stock	8,373	08/19/2014
Purchase of Class A Common Stock	346	08/20/2014
Purchase of Class A Common Stock	125	08/21/2014
Purchase of Class A Common Stock	2,915	08/25/2014
Purchase of Class A Common Stock	2,159	08/26/2014
Purchase of Class A Common Stock	13,133	09/03/2014
Purchase of Class A Common Stock	13,701	09/12/2014
Purchase of Class A Common Stock	6,170	09/15/2014
Purchase of Class A Common Stock	101,585	09/16/2014
Purchase of Class A Common Stock	15,598	09/17/2014
Purchase of Class A Common Stock	95,402	09/18/2014
Purchase of Class A Common Stock	118,484	09/19/2014
Sale of Class A Common Stock	(835)	09/19/2014
Purchase of Class A Common Stock	26,420	09/22/2014
Purchase of Class A Common Stock	901	09/23/2014
Purchase of Class A Common Stock	32,809	09/24/2014
Purchase of Class A Common Stock	5,879	09/25/2014
Purchase of Class A Common Stock	64,773	09/29/2014
Short Sale of Class A Common Stock	(61,000)	09/29/2014
Purchase of Class A Common Stock	23,970	09/30/2014
Purchase of Class A Common Stock	5,291	10/01/2014
Closing Out Short Sale Against the Box	61,000	10/03/2014
Purchase of Class A Common Stock	12,548	10/07/2014
Sale of Class A Common Stock	(747)	10/22/2014
Purchase of Class A Common Stock	12,853	10/29/2014
Purchase of Class A Common Stock	14,047	10/30/2014
Purchase of Class A Common Stock	280	10/31/2014
Sale of Class A Common Stock	(12,521)	10/31/2014
Purchase of March 2015 Call Option ($22.50 Strike Price)	58,9001	10/31/2014
Purchase of Class A Common Stock	6,053	11/04/2014
Purchase of Class A Common Stock	6,093	11/05/2014
	52,4001	11/05/2014

Purchase of March 2015 Call Option
($22.50 Strike Price)

Purchase of March 2015 Call Option ($22.50 Strike Price)	55,6001	11/10/2014
Purchase of March 2015 Call Option ($20.00 Strike Price)	27,8001	11/12/2014
Purchase of March 2015 Call Option ($20.00 Strike Price)	27,8001	12/03/2014
Purchase of Class A Common Stock	13,684	12/08/2014
Purchase of March 2015 Call Option ($22.50 Strike Price)	27,8001	12/08/2014
Purchase of March 2015 Call Option ($22.50 Strike Price)	16,7001	12/09/2014
Purchase of Class A Common Stock	65,467	12/23/2014
Purchase of Class A Common Stock	241,945	12/24/2014
Short Sale of Class A Common Stock	(241,945)	12/24/2014
Purchase of March 2015 Call Option ($20.00 Strike Price)	13,4001	12/30/2014
Purchase of Class A Common Stock	55,093	12/31/2014
Closing Out Short Sale Against the Box	241,945	01/02/2015
Sale of March 2015 Call Option ($20.00 Strike Price)	(37,400)1	01/15/2015
Purchase of Class A Common Stock	450	01/20/2015
Sale of March 2015 Call Option ($20.00 Strike Price)	(31,600)1	01/20/2015
Purchase of Class A Common Stock	10,750	01/21/2015
Purchase of Class A Common Stock	160,240	01/30/2015
Purchase of Class A Common Stock	11,102	02/04/2015
Purchase of Class A Common Stock	11,104	02/05/2015
Purchase of Class A Common Stock	1,722	02/06/2015
Sale of Class A Common Stock	(71,529)	03/13/2015
Sale of Class A Common Stock	(48,404)	03/16/2015
Sale of Class A Common Stock	(7,525)	03/17/2015
Sale of Class A Common Stock	(2,733)	03/20/2015
Sale of Class A Common Stock	(25,668)	03/23/2015
Sale of Class A Common Stock	(292)	03/24/2015
Purchase of Class A Common Stock	249,546	03/25/2015
Sale of Class A Common Stock	(4,469)	03/25/2015
Short Sale of Class A Common Stock	(249,546)	03/25/2015
Closing Out Short Sale Against the Box	249,546	04/01/2015
Purchase of Class A Common Stock	19,605	04/30/2015
Purchase of Class A Common Stock	1,044	05/05/2015
Purchase of September 2015 Call Option ($12.50 Strike Price)	113,7002	05/08/2015
Sale of Class A Common Stock	(1,199)	05/12/2015
Sale of Class A Common Stock	(26,140)	05/13/2015
Sale of Class A Common Stock	(1,707)	05/14/2015
Sale of Class A Common Stock	(398)	05/15/2015
Sale of Class A Common Stock	(2,765)	05/18/2015

Sale of Class A Common Stock	(20,033)	05/19/2015
Sale of Class A Common Stock	(21,211)	05/20/2015

Sale of Class A Common Stock	(56,195)	05/21/2015
Sale of Class A Common Stock	(20,604)	05/22/2015
Sale of Class A Common Stock	(15,912)	05/26/2015
Sale of Class A Common Stock	(11,815)	05/27/2015
Sale of Class A Common Stock	(10,455)	05/28/2015
Sale of Class A Common Stock	(12,362)	05/29/2015
Sale of Class A Common Stock	(11,382)	06/01/2015
Sale of Class A Common Stock	(11,068)	06/02/2015
Sale of Class A Common Stock	(9,309)	06/03/2015
Sale of Class A Common Stock	(4,648)	06/04/2015
Sale of Class A Common Stock	(6,924)	06/05/2015
Sale of Class A Common Stock	(6,033)	06/08/2015
Sale of Class A Common Stock	(7,552)	06/09/2015
Sale of Class A Common Stock	(11,761)	06/10/2015
Sale of Class A Common Stock	(2,497)	06/11/2015
Sale of Class A Common Stock	(10,621)	06/12/2015
Sale of Class A Common Stock	(6,941)	06/15/2015
Sale of Class A Common Stock	(8,291)	06/16/2015
Sale of Class A Common Stock	(37,887)	06/17/2015
Sale of Class A Common Stock	(29,458)	06/18/2015
Sale of Class A Common Stock	(37,707)	06/19/2015
Purchase of Class A Common Stock	57	06/22/2015
Sale of Class A Common Stock	(17,230)	06/22/2015
Purchase of Class A Common Stock	20,102	06/25/2015
Purchase of Class A Common Stock	624,611	06/29/2015
Short Sale of Class A Common Stock	(610,617)	06/29/2015
Closing Out Short Sale Against the Box	610,617	07/02/2015
Purchase of Class A Common Stock	3,375	07/09/2015
Purchase of Class A Common Stock	12,679	07/10/2015
Purchase of Class A Common Stock	2,820	07/14/2015
Purchase of Class A Common Stock	2,857	07/15/2015
Purchase of Class A Common Stock	4,300	07/16/2015
Purchase of Class A Common Stock	4,118	07/17/2015
Purchase of Class A Common Stock	5,583	07/24/2015
Purchase of Class A Common Stock	5,687	07/27/2015
Purchase of Class A Common Stock	1,758	07/28/2015
Purchase of Class A Common Stock	15,426	07/31/2015
Purchase of Class A Common Stock	5,635	08/05/2015
Sale of Class A Common Stock	(10,733)	08/20/2015
Sale of Class A Common Stock	(3,930)	08/24/2015
Sale of Class A Common Stock	(17,616)	08/27/2015
Sale of Class A Common Stock	(12,176)	08/28/2015
Sale of Class A Common Stock	(18,094)	09/08/2015
Exercise of September 2015 Call Option ($12.50 Strike Price)	113,7003	09/18/2015
Purchase of Class A Common Stock	455,546	09/28/2015
Short Sale of Class A Common Stock	(455,367)	09/28/2015
	455,367	10/02/2015

Closing Out Short Sale Against the Box		
Purchase of Class A Common Stock	129,514	11/06/2015

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Purchase of Class A Common Stock	5,695	11/09/2015
Purchase of Class A Common Stock	6,239	11/10/2015
Purchase of Class A Common Stock	23,312	11/11/2015
Purchase of Class A Common Stock	19,095	11/12/2015
Purchase of Class A Common Stock	14,225	11/13/2015
Purchase of Class A Common Stock	24,335	11/16/2015
Purchase of Class A Common Stock	14,217	11/17/2015
Purchase of Class A Common Stock	14,607	11/18/2015
Purchase of Class A Common Stock	10,647	11/19/2015
Purchase of Class A Common Stock	5,679	11/20/2015
Purchase of Class A Common Stock	7,383	11/23/2015
Purchase of Class A Common Stock	5,808	11/24/2015
Purchase of Class A Common Stock	4,403	11/25/2015
Purchase of Class A Common Stock	5,163	11/27/2015
Purchase of Class A Common Stock	4,745	11/30/2015
Purchase of Class A Common Stock	9,000	12/01/2015
Purchase of Class A Common Stock	11,996	12/02/2015
Purchase of Class A Common Stock	24,542	12/03/2015
Purchase of Class A Common Stock	7,357	12/04/2015
Purchase of Class A Common Stock	16,337	12/07/2015
Purchase of Class A Common Stock	13,403	12/08/2015
Purchase of Class A Common Stock	16,793	12/09/2015
Purchase of Class A Common Stock	4,004	12/10/2015
Purchase of Class A Common Stock	9,222	12/11/2015
Purchase of Class A Common Stock	3,926	12/14/2015
Purchase of Class A Common Stock	4,567	12/15/2015
Purchase of Class A Common Stock	4,252	12/17/2015
Purchase of Class A Common Stock	27,557	12/18/2015
Purchase of Class A Common Stock	4,605	12/21/2015
Purchase of Class A Common Stock	4,560	12/22/2015
Purchase of Class A Common Stock	4,538	12/23/2015
Purchase of Class A Common Stock	4,572	12/24/2015
Purchase of Class A Common Stock	4,584	12/28/2015
Purchase of Class A Common Stock	4,532	12/29/2015
Purchase of Class A Common Stock	4,561	12/30/2015
Purchase of Class A Common Stock	18,025	12/31/2015
Purchase of Class A Common Stock	9,811	01/04/2016
Purchase of Class A Common Stock	4,395	01/05/2016
Purchase of Class A Common Stock	11,975	01/06/2016

	(Unaudited)	
Vehicles	930	925
Office equipment	1,500	1,481
Electronic devices	1,212	1,205
Property and equipment, cost	3,642	3,611
Less: accumulated depreciation	(2,141)	(1,975)
Property and equipment, net	1,501	1,636

Depreciation expenses in the aggregate for the three months ended March 31, 2013 and 2012 were approximately US$155,000 and $148,000, respectively.

12. Intangible assets, net

	March 31, 2013 US$('000) (Unaudited)	December 31, 2012 US$('000)
Intangible assets not subject to amortization:		
Trade name	311	309
Domain name	1,538	1,529
Intangible assets subject to amortization:		
Contract backlog	197	196
Customer relationship	3,453	3,434
Non-compete agreements	1,366	1,358
Software technologies	326	325
Cloud-computing based software platforms	1,478	1,470
Other computer software	76	76
Intangible assets, cost	8,745	8,697
Less: accumulated amortization	(1,801)	(1,530)
Intangible assets, net	6,944	7,167

Amortization expenses in aggregate for the three months ended March 31, 2013 and 2012 were approximately US$263,000 and US$262,000, respectively.

Based on the carrying value of the finite-lived intangible assets recorded as of March 31, 2013, and assuming no subsequent impairment of the underlying intangible assets, the estimated future amortization expenses is approximately US$771,000 for the nine months ended December 31, 2013, approximately US$1,027,000 per year through December 31, 2015, approximately US$988,000 for the year ended December 31, 2016 and approximately US$498,000 for the year ended December 31, 2017.

13. Goodwill

	Amount US$('000)
Balance as of December 31, 2012 (audited)	11,083
Exchange translation adjustment	61
Balance as of March 31, 2013 (unaudited)	11,144

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14. Accrued payroll and other accruals

	March 31, 2013 US$('000) (Unaudited)	December 31, 2012 US$('000)
Accrued payroll and staff welfare	460	538
Accrued operating expenses	417	366
	877	904

15. Payable for acquisition

	March 31, 2013 US$('000) (Unaudited)	December 31, 2012 US$('000)
Sou Yi Lian Mei	-	1,266

Payable for acquisition as of December 31, 2012 represented the outstanding balance payment of approximately RMB8.0 million for the acquisition of the 49% equity interest of Sou Yi Lian Mei that was consummated in September 2012, which was paid to the former shareholder of Sou Yi Lian Mei during the three months ended March 31, 2013.

16. Taxation

1) Income tax

The entities within the Company file separate tax returns in the respective tax jurisdictions in which they operate.

i). The Company is incorporated in the state of Nevada. Under the current law of Nevada, the Company is not subject to state corporate income tax. Following the Share Exchange, the Company became a holding company and does not conduct any substantial operations of its own. No provision for federal corporate income tax has been made in the financial statements as the Company has no assessable profits for the three months ended March 31, 2013, or any prior periods. The Company does not provide for U.S. taxes or foreign withholding taxes on undistributed earnings from its non-U.S. subsidiaries because such earnings are intended to be reinvested indefinitely. If undistributed earnings were distributed, foreign tax credits could become available under current law to reduce the resulting U.S. income tax liability.

ii). China Net BVI was incorporated in the British Virgin Islands ("BVI"). Under the current law of the BVI, China Net BVI is not subject to tax on income or capital gains. Additionally, upon payments of dividends by China Net BVI to its shareholders, no BVI withholding tax will be imposed.

iii). China Net HK was incorporated in Hong Kong and does not conduct any substantial operations of its own. No provision for Hong Kong profits tax has been made in the financial statements as China Net HK has no assessable profits for the three months ended March 31, 2013 or any prior periods. Additionally, upon payments of dividends by China Net HK to its shareholders, no Hong Kong withholding tax will be imposed.

iv). The Company's PRC operating subsidiary and VIEs, being incorporated in the PRC, are governed by the income tax law of the PRC and is subject to PRC enterprise income tax ("EIT"). The EIT rate of PRC is 25%, which applies to both domestic and foreign invested enterprises.

- Rise King WFOE is a software company qualified by the related PRC governmental authorities and was approved by the local tax authorities of Beijing, the PRC, to be entitled to a two-year EIT exemption from its first profitable year and a 50% reduction of its applicable EIT rate, which is 25% to 12.5% of its taxable income for the succeeding three years. Rise King WFOE had a net loss for the year ended December 31, 2008 and its first profitable year was fiscal year 2009 which has been verified by the local tax bureau by accepting the application filed by the Company. Therefore, it was approved to be entitled to a two-year EIT exemption for fiscal year 2009 through fiscal year 2010 and a 50% reduction of its applicable EIT rate which is 25% to 12.5% for fiscal year 2011 through fiscal year 2013. Therefore, for the three months ended March 31, 2013 and 2012, the applicable income tax rate for Rise King WFOE was both 12.5%. After fiscal year 2013, the applicable income tax rate for Rise King WFOE will be 25% under the current EIT law of PRC.

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- Business Opportunity Online was approved by the related PRC governmental authorities as a High and New Technology Enterprise under the current EIT law, and was approved by the local tax authorities of Beijing, the PRC, to be entitled to a favorable statutory tax rate of 15%. Business Opportunity Online's High and New Technology Enterprise certificate would expire on September 4, 2012. On July 9, 2012, Business Opportunity Online passed the administrative review conducted by the related PRC governmental authorities for obtaining the renewed certificate, which enabled it to continue to enjoy the 15% preferential income tax rate as a High and New Technology Enterprise. Therefore, for the three months ended March 31, 2013 and 2012, the applicable income tax rate of Business Opportunity Online was both 15%.

- Business Opportunity Online Hubei was incorporated in Xiaotian Industrial Park of Xiaogan Economic Development Zone in Xiaogan City, Hubei province of the PRC in 2011. On June 15, 2012, Business Opportunity Online Hubei was approved by the related PRC governmental authorities to be qualified as a software company and was approved by the local tax authorities of Xiaogan City, Hubei province, the PRC, to be entitled to a two-year EIT exemption for fiscal year 2012 and 2013, and a 50% reduction of its applicable EIT rate which is 25% to 12.5% of its taxable income for the succeeding three years until December 31, 2016. Therefore, for the three months ended March 31, 2013, the applicable income tax rate of Business Opportunity Online Hubei is nil%. For the three months ended March 31, 2012, Business Opportunity Online Hubei was still in the process of applying its software company qualification. Therefore, Business Opportunity Online Hubei accrued its income tax expense for the period using a 25% income tax rate, which was subsequently reversed upon being qualified as a software company in June 2012.

- The applicable income tax rate for other PRC operating entities of the Company is 25% for the three months ended March 31, 2013 and 2012.

- The current EIT law also imposed a 10% withholding income tax for dividends distributed by a foreign invested enterprise to its immediate holding company outside China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Holding companies in Hong Kong, for example, will be subject to a 5% rate. Rise King WFOE is invested by immediate holding company in Hong Kong and will be entitled to the 5% preferential withholding tax rate upon distribution of the dividends to its immediate holding company.

For the three months ended March 31, 2013 and 2012, all of the preferential income tax treatments enjoyed by the Company's PRC subsidiary and VIEs were based on the current applicable laws and regulations of the PRC and approved by the related government regulatory authorities and local tax authorities where the Company's respective PRC subsidiary and VIEs operate in. Rise King WFOE, Business Opportunity Online and Business Opportunity Online Hubei were most affected by these preferential income tax treatments within the structure of the Company. The preferential income tax treatments are subject to change in accordance with the PRC government economic development policies and regulations. These preferential income tax treatments are primarily determined by the regulation and policies of the PRC government in the context of the overall economic policy and strategy. As a result, the uncertainty of theses preferential income tax treatments are subject to, but not limited to, the PRC government policy on supporting any specific industry's development under the outlook and strategy of overall macroeconomic development.

2) Turnover taxes and the relevant surcharges

From January 1, 2012 through August 31, 2012 (for the Company's PRC operating entities incorporated in Beijing) or October 31, 2012 (for the Company's PRC operating entities incorporated in Fujian province) or November 30, 2012 (for the Company's PRC operating entities incorporated in Hubei province), revenue from advertising services is subject to 5.6%-5.7% business tax (including surcharges), depending on which tax jurisdiction the Company's PRC operating subsidiary and VIE operate in, and 3% cultural industry development surcharge of the net service income after deducting amount paid to ending media promulgators. Revenue from internet technical services was subjected to 5.6%-5.7% business tax (including surcharges), depending on which tax jurisdiction the Company's PRC operating subsidiary and VIE operate in.

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On July 31, 2012, the Ministry of Finance (the “MOF”) and the State Administration of Taxation (the “SAT”) of the PRC jointly promulgated a “Circular on Launching the Pilot Collection of Value Added Tax in lieu of Business Tax in Transportation and Certain Areas of Modern Services Industries in Eight Provinces and Municipalities Including Beijing” (“Circular Cai Shui [2012] No. 71”), pursuant to which a business tax to value added tax (the “VAT”) transformation pilot program was launched. The implementation date for Beijing is September 1, 2012, for Fujian province, November 1, 2012, and for Hubei province, December 1, 2012. Other circulars such as “Circular on Carrying out the Pilot Collection of Value Added Tax in Lieu of Business Tax to be imposed on Transportation Industry and Part of Modern Services Industry in Shanghai” (“Circular Cai Shui [2011] No. 111”) jointly promulgated by the MOF and the SAT on November 16, 2011 which contains detailed implementation measures for such VAT pilot program apply to the locations including Beijing, Fujian province and Hubei province. In accordance with the Circular Cai Shui [2011] No. 111, the VAT rate for provision of modern services (other than lease of corporeal movables) is 6% and for small scale taxpayer, 3%. Therefore, beginning on September 1, 2012, for the Company’s PRC operating subsidiary and VIEs incorporated in Beijing, November 1, 2012, for the Company’s PRC operating VIEs incorporated in Fujian province, and December 1, 2012, for the Company’s PRC operating VIEs incorporated in Hubei province, service revenues are subject to VAT at a rate of 6%, after deducting the VAT paid for the services purchased from suppliers, or at a rate of 3% without any deduction of VAT paid for the services purchased from suppliers. The surcharges of the VAT is 12%-14% of the VAT, depending on which tax jurisdiction the Company’s PRC operating subsidiary and VIE operate in.

Business tax is a price including tax in the PRC turnover tax system, which is calculated based on the revenue inclusive of turnover tax. Therefore, revenues achieved by the Company which are subject to business tax are presented on a gross basis inclusive of business tax, and on the other hand, business tax was included in cost of revenues upon recognition of services revenues. Contrastively, VAT is a price excluding tax in the PRC turnover tax system, which is calculated based on the revenue exclusive of turnover tax. Therefore, revenues achieved by the Company which are subject to VAT is presented on a net basis exclusive of VAT.

As of March 31, 2013 and December 31, 2012, taxes payable consists of:

	March 31, 2013 US$(’000) (Unaudited)	December 31, 2012 US$(’000)
Turnover tax and surcharge payable	2,656	2,609
Enterprise income tax payable	4,190	4,074
	6,846	6,683

For the three months ended March 31, 2013 and 2012, the Company’s income tax benefit / (expense) consisted of:

	Three Months Ended March 31,	
	2013 US$(’000) (Unaudited)	2012 US$(’000) (Unaudited)
Current-PRC	(99)	(617)

Deferred-PRC	185	381
	86	(236)

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The Company's deferred tax liabilities at March 31, 2013 and changes for the three months then ended were as follows:

	Amount US$('000)
Balance as of December 31, 2012 (audited)	1,689
Reversal during the period	(55)
Exchange translation adjustment	9
Balance as of March 31, 2013 (unaudited)	1,643

Deferred tax liabilities arose on the recognition of the identifiable intangible assets acquired from acquisition transactions and deconsolidation of subsidiaries consummated in 2011. Reversal for the three months ended March 31, 2013 of approximately US$55,000 was due to amortization of the acquired intangible assets.

The Company's deferred tax assets at March 31, 2013 and December 31, 2012 were as follows:

	March 31, 2013 US$('000) (Unaudited)	December 31, 2012 US$('000)
Tax effect of net operating losses carried forward	3,110	2,929
Bad debts provision	895	824
Valuation allowance	(3,169)	(3,051)
	836	702

	March 31, 2013 US$('000) (Unaudited)	December 31, 2012 US$('000)
Deferred tax assets reclassified as current asset	42	50
Deferred tax assets reclassified as non-current asset	794	652
	836	702

The net operating losses carried forward incurred by the Company (excluding its PRC operating subsidiary and VIEs) were approximately US$6,499,000 and US$6,363,000 at March 31, 2013 and December 31, 2012, respectively, which loss carry forwards gradually expire over time, the last of which expires in 2033. A full valuation allowance has been recorded because it is considered more likely than not that the deferred tax assets will not be realized through sufficient future earnings of the entity to which the operating losses relate.

The net operating losses carried forward (excluding bad debts provision and non-deductible expenses) incurred by the Company's PRC subsidiary and VIEs were approximately US$4,959,000 and US$4,093,000 at March 31, 2013 and December 31, 2012, respectively, which loss carry forwards gradually expire over time, the last of which expires in

2018. The related deferred tax assets was calculated based on the respective net operating losses incurred by each of the PRC subsidiary and VIEs and the respective corresponding enacted tax rate that will be in effect in the period in which the differences are expected to reverse. No valuation allowance has been recorded because it is considered more likely than not that the deferred tax assets will be realized through sufficient future earnings of the entities to which the operating losses relate.

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As of March 31, 2013, the bad debts provision recorded by the Company's PRC subsidiary and VIEs were approximately US$4,070,000. A full valuation allowance has been recorded because it is considered more likely than not that the deferred tax assets will not be realized through bad debts verification by the local tax authorities where the PRC subsidiary and VIEs operate in.

The Company's non-current portion of deferred tax assets and deferred tax liabilities were attributable to different tax-paying components of the entity, which were under different tax jurisdictions. Therefore, in accordance with ASC Topic 740 "Income taxes", the non-current portion of deferred tax assets and deferred tax liabilities were presented separately in the Company's balance sheets.

The tax authority of the PRC government conducts periodic and ad hoc tax filing reviews on business enterprises operating in the PRC after those enterprises had completed their relevant tax filings, hence the Company's tax filings may not be finalized. It is therefore uncertain as to whether the PRC tax authority may take different views about the Company's tax filings which may lead to additional tax liabilities.

17. Long-term borrowing from director

	March 31, 2013 US$('000) (Unaudited)	December 31, 2012 US$('000)
Long-term borrowing from director	139	139

Long-term borrowing from director is a non-interest bearing loan from a director of the Company relating to the original paid-in capital contribution in the Company's wholly-owned subsidiary Rise King WFOE.

18. Warrants

The Company issued warrants in its August 2009 Financing. Warrants issued and outstanding at March 31, 2013 and changes during the three months then ended are as follows:

	Warrants Outstanding			Warrants Exercisable		
	Number of underlying shares	Weighted Average Exercise Price	Average Remaining Contractual Life (years)	Number of underlying shares	Weighted Average Exercise Price	Average Remaining Contractual Life (years)
Balance, December 31, 2012 (audited)	2,363,456	$ 3.52	1.63	2,363,456	$ 3.52	1.63
Granted / Vested	-			-		
Forfeited	-			-		
Exercised	-			-		
Balance, March 31, 2013 (unaudited)	2,363,456	$ 3.52	1.39	2,363,456	$ 3.52	1.39

19. Restricted Net Assets

As most of the Company’s operations are conducted through its PRC subsidiary and VIEs, the Company’s ability to pay dividends is primarily dependent on receiving distributions of funds from its PRC subsidiary and VIEs. Relevant PRC statutory laws and regulations permit payments of dividends by its PRC subsidiary and VIEs only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and after it has met the PRC requirements for appropriation to statutory reserves. Paid in capital of the PRC subsidiary and VIEs included in the Company’s consolidated net assets are also non-distributable for dividend purposes.

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In accordance with the PRC regulations on Enterprises with Foreign Investment, a WFOE established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A WFOE is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. Rise King WFOE is subject to the above mandated restrictions on distributable profits. Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide a statutory common reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide for a discretionary surplus reserve, at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. All of the Company's PRC VIEs are subject to the above mandated restrictions on distributable profits.

As a result of these PRC laws and regulations, the Company's PRC subsidiary and VIEs are restricted in their ability to transfer a portion of their net assets to the Company. As of March 31, 2013 and December 31, 2012, net assets restricted in the aggregate, which include paid-in capital and statutory reserve funds of the Company's PRC subsidiary and VIEs that are included in the Company's consolidated net assets, was approximately US$5.5 million.

The current PRC Enterprise Income Tax ("EIT") Law also imposed a 10% withholding income tax for dividends distributed by a foreign invested enterprise to its immediate holding company outside China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Holding companies in Hong Kong, for example, will be subject to a 5% rate. Rise King WFOE is invested by its immediate holding company in Hong Kong and will be entitled to the 5% preferential withholding tax rate upon distribution of the dividends to its immediate holding company.

The ability of the Company's PRC subsidiary and VIEs to make dividends and other payments to the Company may also be restricted by changes in applicable foreign exchange and other laws and regulations.

Foreign currency exchange regulation in China is primarily governed by the following rules:

l Foreign Exchange Administration Rules (1996), as amended in August 2008, or the Exchange Rules;
l Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Currently, under the Administration Rules, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foerign Exchange (the "SAFE") is obtained and prior registration with the SAFE is made. Foreign-invested enterprises like Rise King WFOE that need foreign exchange for the distribution of profits to its shareholders may effect payment from their foreign exchange accounts or purchase and pay foreign exchange rates at the designated foreign exchange banks to their foreign shareholders by producing board resolutions for such profit distribution. Based on their needs, foreign-invested enterprises are permitted to open foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments of foreign exchange at certain designated foreign exchange banks.

Although the current Exchange Rules allow the convertibility of Chinese Renminbi into foreign currency for current account items, conversion of Chinese Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE, which is under the authority of the People’s Bank of China. These approvals, however, do not guarantee the availability of foreign currency conversion. The Company cannot be sure that it will be able to obtain all required conversion approvals for its operations or the Chinese regulatory authorities will not impose greater restrictions on the convertibility of Chinese Renminbi in the future. Currently, most of the Company’s retained earnings are generated in Renminbi. Any future restrictions on currency exchanges may limit the Company’s ability to use its retained earnings generated in Renminbi to make dividends or other payments in U.S. dollars or fund possible business activities outside China.

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As of March 31, 2013 and December 31, 2012, there was approximately US$38.5 million and US$38.1 million retained earnings in the aggregate, respectively, which was generated by the Company's PRC subsidiary and VIEs in Renminbi included in the Company's consolidated net assets, aside from US$2.5 million and US$2.4 million statutory reserve funds as of March 31, 2013 and December 31, 2012, respectively, that may be affected by increased restrictions on currency exchanges in the future and accordingly may further limit the Company's PRC subsidiary's and VIEs' ability to make dividends or other payments in U.S. dollars to the Company, in addition to the approximately US$5.5 million restricted net assets as of March 31, 2013 and December 31, 2012, as discussed above.

20. Related party transactions

Revenue from related parties:

	Three Months Ended March 31,	
	2013 US$('000) (Unaudited)	2012 US$('000) (Unaudited)
-Beijing Saimeiwei Food Equipment Technology Co., Ltd,	44	14
-Beijing Fengshangyinli Technology Co., Ltd.	2	1
-Beijing Telijie Century Environmental Technology Co., Ltd.	13	-
	59	15

21.Employee defined contribution plan

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the PRC subsidiaries of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The employee benefits were expensed as incurred. The Company has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits were approximately US$120,000 and US$104,000 for the three months ended March 31, 2013 and 2012, respectively.

22. Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, other receivables and prepayments and deposits to suppliers. As of March 31, 2013 and December 31, 2012, substantially all of the Company's cash and cash equivalents were held by major financial institutions located in Mainland China and Hong Kong Special Administrative Region of the PRC, which management believes are of high credit quality.

Risk arising from operations in foreign countries

All of the Company's operations are conducted within the PRC. The Company's operations in the PRC are subject to various political, economic, and other risks and uncertainties inherent in the PRC. Among other risks, the Company's operations in the PRC are subject to the risks of restrictions on transfer of funds, changing taxation policies, foreign exchange restrictions; and political conditions and governmental regulations.

Currency convertibility risk

Significant part of the Company's businesses is transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers' invoices and signed contracts. These exchange control measures imposed by the PRC government authorities may restrict the ability of the Company's PRC subsidiary and VIEs to transfer its net assets, which to the Company through loans, advances or cash dividends.

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Concentration of customers

For the three months ended March 31, 2013, one customer accounted for 10% of the Company’s sales. For the three months ended March 31, 2012, three customers accounted for 25%, 20% and 17% of the Company’s sales, respectively. Except for the aforementioned customer, there was no other single customer who accounted for more than 10% of the Company’s sales for the three months ended March 31, 2013 and 2012, respectively.

As of March 31, 2013, two customers both accounted for 11% of the Company’s accounts receivables, individually. As of December 31, 2012, one customer accounted for 10% of the Company’s accounts receivables. Except for the aforementioned customer, there was no other single customer who accounted for more than 10% of the Company’s accounts receivable as of March 31, 2013 and December 31, 2012, respectively.

Concentration of suppliers

For the three months ended March 31, 2013, two suppliers individually accounted for 47% and 24% of the Company’s cost of sales, respectively. For the three months ended March 31, 2012, two suppliers individually accounted for 65% and 17% of the Company’s cost of sales, respectively. Except for the afore-mentioned, there was no other single supplier who accounted for more than 10% of the Company’s cost of sales for the three months ended March 31, 2013 and 2012, respectively.

23. Commitments

The following table sets forth the Company’s operating lease commitment as of March 31, 2013:

	Office Rental US$(’000) (Unaudited)
Nine months ending December 31,	
-2013	369
Year ending December 31,	
-2014	295
-2015	295
-2016	74
Total	1,033

24. Segment reporting

The Company follows ASC Topic 280 “Segment Reporting”, which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and evaluating their performance. Reportable operating segments include components of an entity about which separate financial information is available and which operating results are regularly reviewed by the chief operating decision maker (“CODM”) to make decisions about resources to be allocated to the segment and assess each operating segment’s performance.

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Three Months Ended March 31, 2013 (Unaudited)

	Internet Ad. US$ ('000)	TV Ad. US$ ('000)	Bank kiosk US$ ('000)	Brand management and sales channel building US$ ('000)	Others US$ ('000)	Inter-segment and reconciling item US$ ('000)	Total US$ ('000)
Revenue	3,811	2,638	69	531	-	-	7,049
Cost of sales	1,644	2,500	-	323	-	-	4,467
Total operating expenses	1,583	382	53	244	377 *	-	2,639
Depreciation and amortization expense included in total operating expenses	257	12	53	54	42	-	418
Operating income (loss)	584	(244)	16	(36)	(377)	-	(57)
Share of losses in equity investment affiliates	-	-	-	(45)	(26)	-	(71)
Expenditure for long-term assets	6	-	-	-	5	-	11
Net income (loss)	665	(259)	16	(72)	(361)	-	(11)
Total assets – March 31, 2013	38,079	16,437	547	7,256	15,895	(21,554)	56,660

*Including approximate US$11,000 share-based compensation expenses.

Three Months Ended March 31, 2012 (Unaudited)

	Internet Ad. US$ ('000)	TV Ad. US$ ('000)	Bank kiosk US$ ('000)	Brand management and sales channel building US$ ('000)	Others US$ ('000)	Inter-segment and reconciling item US$ ('000)	Total US$ ('000)
Revenue	4,345	10,369	71	150	-	-	14,935
Cost of sales	2,092	10,344	6	96	-	-	12,538
Total operating expenses	1,514	160	52	70	467 *	-	2,263
Depreciation and amortization expense included in total operating expenses	258	17	52	54	28	-	409
Operating income (loss)	739	(135)	13	(16)	(467)	-	134
Share of losses in equity investment affiliates	-	-	-	(110)	(83)	-	(193)

Expenditure for long-term assets	9	-	-	-	-	-	9
Net income (loss)	432	(112)	13	(121)	(503)	-	(291)
Total assets – March 31, 2012	42,061	17,206	753	5,302	16,389	(22,557)	59,154

*Including approximate US$16,833 share-based compensation expenses.

25. Earnings per share

Basic and diluted earnings per share for each of the periods presented are calculated as follows (All amounts, except number of shares and per share data, are presented in thousands of US dollars):

CHINANET ONLINE HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Three months ended March 31, 2013 US$('000) (Unaudited)	2012 US$('000) (Unaudited)
Net income/(loss) attributable to ChinaNet Online Holdings, Inc. (numerator for basic and diluted earnings per share)	$ 30	$ (366)
Weighted average number of common shares outstanding - Basic	22,186,540	22,182,884
Effect of diluted securities:		
Warrants and options	-	-
Weighted average number of common shares outstanding -Diluted	22,186,540	22,182,884
Earnings/(loss) per share-Basic	$ 0.00	$ (0.02)
Earnings/(loss) per share-Diluted	$ 0.00	$ (0.02)

For the three months ended March 31, 2013, the diluted earnings per share calculation did not include the warrants and options to purchase up to 2,363,456 and 939,440 shares of common stock, respectively, because their effect was anti-dilutive.

For the three months ended March 31, 2012 the diluted earnings per share calculation did not include the warrants and options to purchase up to 3,005,456 and 939,440 shares of common stock, respectively, because their effect was anti-dilutive.

26. Share-based compensation expenses

The Company engaged MZHCI, LLP ("MZ-HCI") to provide investor relations services for a 24-month period commencing on January 1, 2012. As additional compensation, the Company granted 80,000 restricted shares of the Company's common stock to MZ-HCI. These shares were valued at $1.05 per share, the closing bid price of the Company's common stock on the date of grant. The related compensation expenses were amortized over the requisite service period. Total compensation expenses recognized for the three months ended March 31, 2013 and 2012 was both US$10,500.

On November 30, 2009, the Company granted 5-year options to each of its three independent directors, Mr. Douglas MacLellan, Mr. Mototaka Watanabe and Mr. Zhiqing Chen, to purchase in the aggregate 54,000 shares of the Company's common stock at an exercise price of US$5.00 per share, in consideration of their services to the Company. These options vest quarterly at the end of each 3-month period, in equal installments over the 24-month period from the date of grant. Unexercised options will expire on November 29, 2014.

On November 30, 2011, under the Company's 2011 Omnibus Securities and Incentive Plan, the Company issued its management, employees and directors in the aggregate of 885,440 options to purchase up the same number of the company's common stock at an exercise price of US$1.20 per share. These options were fully vested and exercisable upon issuance and subject to forfeiture upon an employee's cessation of employment at the discretion of the Company. Unexercised options will expire on November 29, 2021.

Options issued and outstanding at March 31, 2013 and their movements during the three months then ended are as follows:

	Option Outstanding			Option Exercisable		
	Number of underlying shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of underlying shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
Balance, December 31, 2012 (audited)	939,440	8.51	$ 1.42	939,440	8.51	$ 1.42
Granted/Vested	-			-		
Forfeited	-			-		
Exercised	-			-		
Balance, March 31, 2013 (unaudited)	939,440	8.26	$ 1.42	939,440	8.26	$ 1.42

The aggregate unrecognized share-based compensation expenses as of March 31, 2013 and 2012 is approximately US$32,000 and US$74,000, respectively.

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

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this interim report. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Readers are cautioned not to place undue reliance on these forward-looking statements.

Overview

Our company (formerly known as Emazing Interactive, Inc.) was incorporated in the State of Texas in April 2006 and re-domiciled to become a Nevada corporation in October 2006. From the date of our company's incorporation until June 26, 2009, when our company consummated the Share Exchange (as defined below), our company's activities were primarily concentrated in web server access and company branding in hosting web based e-games.

On June 26, 2009, our company entered into a Share Exchange Agreement (the "Exchange Agreement"), with (i) China Net Online Media Group Limited, a company organized under the laws of British Virgin Islands ("China Net BVI"), (ii) China Net BVI's shareholders, Allglad Limited, a British Virgin Islands company ("Allglad"), Growgain Limited, a British Virgin Islands company ("Growgain"), Rise King Investments Limited, a British Virgin Islands company ("Rise King BVI"), Star (China) Holdings Limited, a British Virgin Islands company ("Star"), Surplus Elegant Investment Limited, a British Virgin Islands company ("Surplus"), Clear Jolly Holdings Limited, a British Virgin Islands company ("Clear" and together with Allglad, Growgain, Rise King BVI, Star and Surplus, the "China Net BVI Shareholders"), who together owned shares constituting 100% of the issued and outstanding ordinary shares of China Net BVI (the "China Net BVI Shares") and (iii) G. Edward Hancock, our principal stockholder at such time. Pursuant to the terms of the Exchange Agreement, the China Net BVI Shareholders transferred to us all of the China Net BVI Shares in exchange for the issuance of 13,790,800 shares (the "Exchange Shares") in the aggregate of our common stock (the "Share Exchange"). As a result of the Share Exchange, China Net BVI became our wholly owned subsidiary and we are now a holding company which, through certain contractual arrangements with operating companies in the People's Republic of China (the "PRC"), is engaged in providing advertising, marketing, communication and brand management and sales channel building services to small and medium companies in China.

Our wholly owned subsidiary, China Net BVI, was incorporated in the British Virgin Islands on August 13, 2007. On April 11, 2008, China Net BVI became the parent holding company of a group of companies comprised of CNET Online Technology Limited, a Hong Kong company ("China Net HK"), which established, and is the parent company of, Rise King Century Technology Development (Beijing) Co., Ltd., a wholly foreign-owned enterprise ("WFOE") established in the PRC ("Rise King WFOE"). We refer to the transactions that resulted in China Net BVI becoming an indirect parent company of Rise King WFOE as the "Offshore Restructuring."

PRC regulations prohibit direct foreign ownership of business entities providing internet content, or ICP services in the PRC, and restrict foreign ownership of business entities engaging in the advertising business. In October 2008, a series of contractual arrangements (the "Contractual Agreements" or the "VIE Agreements) were entered between Rise

King WFOE and Business Opportunity Online (Beijing) Network Technology Co., Ltd. (“Business Opportunity Online”), Beijing CNET Online Advertising Co., Ltd. (“Beijing CNET Online”) (collectively the “PRC Operating Entities”) and its common individual owners (the “PRC Shareholders” or the “Control Group”). The Contractual Agreements allowed China Net BVI through Rise King WFOE to, among other things, secure significant rights to influence the PRC Operating Entities’ business operations, policies and management, approve all matters requiring shareholder approval, and receive 100% of the income earned by the PRC Operating Entities. In return, Rise King WFOE provides consulting services to the PRC Operating Entities. In addition, to ensure that the PRC Operating Entities and the PRC Shareholders perform their obligations under the Contractual Arrangements, the PRC Shareholders have pledged all of their equity interests in the PRC Operating Entities to Rise King WFOE. They have also entered into an option agreement with Rise King WFOE which provides that at such time as when the current restrictions under PRC law on foreign ownership of Chinese companies engaging in the Internet content, information services or advertising business in China are lifted, Rise King WFOE may exercise its option to purchase the equity interests in the PRC Operating Entities directly.

Pursuant to the Contractual Agreements, all of the equity owners' rights and obligations of the VIEs were assigned to Rise King WFOE, which resulted in the equity owners lacking the ability to make decisions that have a significant effect on the VIEs, Rise King WFOE's ability to extract the profits from the operation of the VIEs and assume the residual benefits of the VIEs. Due to the fact that Rise King WFOE and its indirect parent are the sole interest holders of the VIEs, we included the assets, liabilities, revenues and expenses of the VIEs in our consolidated financial statements, which is consistent with the provisions of FASB Accounting Standards Codification ("ASC") Topic 810, "Consolidation" subtopic 10.

As of the date of the Share Exchange, through a series of contractual agreements, we operate our business in China primarily through Business Opportunity Online and Beijing CNET Online. Beijing CNET Online owns 51% of Shanghai Borongdingsi Computer Technology Co., Ltd. ("Shanghai Borongdingsi"). Business Opportunity Online, Beijing CNET Online and Shanghai Borongdingsi, were incorporated on December 8, 2004, January 27, 2003 and August 3, 2005, respectively.

Shanghai Borongdingsi is 51% owned by Beijing CNET Online. Beijing CNET Online and Shanghai Borongdingsi entered into a cooperation agreement in June 2008, followed up with a supplementary agreement in December 2008, to conduct a bank kiosk advertisement business. The business is based on a bank kiosk cooperation agreement between Shanghai Borongdingsi and Henan provincial branch of China Construction Bank which allows Shanghai Borongdingsi or its designated party to conduct in-door advertisement business within the business outlets throughout Henan Province. The bank kiosk cooperation agreement has a term of eight years beginning in August 2008. However, Shanghai Borongdingsi was not able to conduct the advertisement business as a stand-alone business due to the lack of an advertisement business license and supporting financial resources. Pursuant to the aforementioned cooperation agreements, Beijing CNET Online committed to purchase equipment and to provide working capital, technical and other related support to Shanghai Borongdingsi. Beijing CNET Online owns the equipment used in the kiosk business, is entitled to sign contracts in its name on behalf of the business, and holds the right to collect the advertisement revenue generated from the bank kiosk business exclusively until it recovers the cost of purchasing the equipment. Thereafter, Beijing CNET Online has agreed to distribute 49% of the net profit generated from the bank kiosk advertising business, if any, to the minority shareholders of Shanghai Borongdingsi.

On June 24, 2010, one of our VIEs, Business Opportunity Online, together with three other individuals, who were not affiliated with the Company, formed a new company, Shenzhen City Mingshan Network Technology Co., Ltd. ("Shenzhen Mingshan"). Shenzhen Mingshan is 51% owned by Business Opportunity Online and 49% owned collectively by the other three individuals. Shenzhen Mingshan is primarily engaged in developing and designing internet based software, online games and the related operating websites and providing related internet and information technology services necessary to operate such games and websites. On January 6, 2011, as approved by the shareholders of Shenzhen Mingshan, an unaffiliated third party invested RMB15,000,000 (approximately US$2,387,927) into Shenzhen Mingshan in exchange for a 60% equity interest in Shenzhen Mingshan. As a result of this transaction, our share of the equity interest in Shenzhen Mingshan decreased from 51% to 20.4% and we ceased to have a controlling financial interest in Shenzhen Mingshan, but still retained an investment in, and significant influence over, Shenzhen Mingshan. On December 19, 2012, as approved by the shareholders of Shenzhen Mingshan, Shenzhen Mingshan reduced its registered and paid-in capital from RMB25,000,000 (approximately US$3,979,878) to RMB22,000,000 (approximately US$3,502,292), resulted from a decrease of paid-in capital from three other noncontrolling shareholders, except Business Opportunity Online. As a result, our share of the equity interest in Shenzhen Mingshan increased from 20.4% to 23.18% and we continued to retain significant influence over Shenzhen Mingshan. Therefore, as of March 31, 2013, Shenzhen Mingshan was an equity investment affiliate of ours.

On December 6, 2010, through our wholly-owned subsidiary, Rise King WFOE, we entered into a series of exclusive contractual arrangements, which were similar to the Contractual Agreements discussed above, with Rise King (Shanghai) Advertisement Media Co., Ltd. ("Shanghai Jing Yang"), a company incorporated under PRC laws in December 2009. The contractual arrangements that we entered into with Shanghai Jing Yang allow us, through Rise

King WFOE, to, among other things, secure significant rights to influence Shanghai Jing Yang's business operations, policies and management, approve all matters requiring shareholder approval, and receive 100% of the income earned by Shanghai Jing Yang. From the date of incorporation until December 6, 2010, Shanghai Jing Yang did not conduct any business activities. Therefore, Shanghai Jing Yang's accounts were included in our consolidated financial statements with no goodwill recognized in accordance with ASC Topic 810 "Consolidation".

We, through one of our VIEs, Beijing CNET Online, acquired a 100% equity interest in Quanzhou Zhi Yuan Marketing Planning Co., Ltd. (“Quanzhou Zhi Yuan”) and a 51% equity interest in Quanzhou Tian Xi Shun He Advertisement Co., Ltd. (“Quanzhou Tian Xi Shun He”) on January 4, 2011 and February 23, 2011, respectively. Quanzhou Zhi Yuan and Quanzhou Tian Xi Shun He are both independent advertising companies based in Fujian province of the PRC, which provide comprehensive branding and marketing services to over fifty SMEs focused primarily in the sportswear and clothing industry. In June 2011, Beijing CNET Online acquired the remaining 49% equity interest in Quanzhou Tian Xi Shun He. Quanzhou Tian Xi Shun He became a wholly owned subsidiary of Beijing CNET Online.

On January 28, 2011, one of our VIEs, Business Opportunity Online, formed a new wholly owned subsidiary, Business Opportunity Online (Hubei) Network Technology Co., Ltd. (“Business Opportunity Online Hubei”). Business Opportunity Online Hubei is primarily engaged in internet advertisement design, production and promulgation.

On March 1, 2011, one of our VIEs, Business Opportunity Online, together with an individual, who was not affiliated with us, formed a new company, Beijing Chuang Fu Tian Xia Network Technology Co., Ltd. (“Beijing Chuang Fu Tian Xia”). Business Opportunity Online and the co-founding individual owned 51% and 49% of the equity interests of Beijing Chuang Fu Tian Xia, respectively. In addition to capital investment, the co-founding individual is required to provide the controlled domain names, www.liansuo.com and www.chuangye.com to be registered under the established company. Beijing Chuang Fu Tian Xia is primarily engaged in providing and operating internet advertising, marketing and communication services to SMEs through the websites associated the above mentioned domain names.

On April 18, 2011, Business Opportunity Online Hubei formed a new wholly owned company, Hubei CNET Advertising Media Co., Ltd. (“Hubei CNET”). Hubei CNET is primarily engaged in advertisement design, production, promulgation and providing the related advertising and marketing consultancy services.

On April 18, 2011, Business Opportunity Online Hubei, together with an individual, who was not affiliated with us, formed a new company, Zhao Shang Ke Network Technology (Hubei) Co., Ltd. (“Zhao Shang Ke Hubei”). Business Opportunity Online Hubei and the co-founding individual owned 51% and 49% of the equity interests of Zhao Shang Ke Hubei, respectively. Zhao Shang Ke Hubei is primarily engaged in providing advertisement design, production, promulgation and brand management and sales channels building services. On December 29, 2011, as approved by the shareholders of Zhao Shang Ke Hubei, two unaffiliated third party investors invested RMB10,000,000 (approximately US$1,591,951) into Zhao Shang Ke Hubei in exchange for an aggregate 50% equity interests in Zhao Shang Ke Hubei. As a result of this transaction, our share of the equity interests in Zhao Shang Ke Hubei decreased from 51% to 25.5%. As such, we ceased to have a controlling financial interest in Zhao Shang Ke Hubei, but still retained an investment in, and significant influence over, Zhao Shang Ke Hubei. Therefore, as of March 31, 2013, Zhao Shang Ke Hubei was an equity investment affiliate of ours.

On July 1, 2011, Quanzhou Zhi Yuan formed a new wholly owned company, Xin Qi Yuan Advertisement Planning (Hubei) Co., Ltd. (“Xin Qi Yuan Hubei”). Xin Qi Yuan Hubei is primarily engaged in advertisement design, production, promulgation and providing the related advertising and marketing consultancy services.

On July 1, 2011, Quanzhou Tian Xi Shun He formed a new wholly owned company, Mu Lin Sen Advertisement (Hubei) Co., Ltd. (“Mu Lin Sen Hubei”). Mu Lin Sen Hubei is primarily engaged in advertisement design, production, promulgation and providing the related advertising and marketing consultancy services.

On July 1, 2011, Business Opportunity Online Hubei, together with an individual who is not affiliated with us, formed a new company, Sheng Tian Network Technology (Hubei) Co., Ltd. (“Sheng Tian Hubei”). Business Opportunity Online Hubei and the co-founding individual owned 51% and 49% of the equity interests of Sheng Tian Hubei, respectively. Sheng Tian Hubei is primarily engaged in computer system design, development and promotion, software development and promotion, and providing the related technical consultancy services.

On December 20, 2011, Business Opportunity Online Hubei acquired a 51% equity interest in Sou Yi Lian Mei Network Technology (Beijing) Co. Ltd., (“Sou Yi Lian Mei”). In September 2012, Business Opportunity Online Hubei acquired the remaining 49% equity interest in Sou Yi Lian Mei. Sou Yi Lian Mei became a wholly owned subsidiary of Business Opportunity Online Hubei accordingly. Sou Yi Lian Mei is primary engaged in providing online advertising and marketing services and operates its business primarily through its wholly-owned subsidiary, Jin Du Ya He (Beijing) Network Technology Co., Ltd (“Jin Du Ya He”).

Through our PRC operating subsidiary and VIEs, we primarily operate an one-stop services for our clients on four major service platforms, including social networking service information platform, multi-channel advertising and promotion platform, brand management and sales channel building platform and management tools platform. Our social networking service information platform primarily consists of www. chuangye.com, an information and service portal for entrepreneurs or any individual who plans to start their own business. Our multi-channel advertising and promotion platform primarily consists of internet advertising and marketing portals, including www.28.com (“28.com”), www.liansuo.com (“liansuo.com”) and www.sooe.cn (“sooe.cn”), ChinaNet TV as our TV production and advertising unit and the bank kiosk advertising unit. We provide varieties of marketing campaigns through this platform by the combination of the Internet, mobile, television, bank kiosks and printed-medias to maximize market exposure and effectiveness for our clients. Our band management and sales channel expansion platform consists of our brand consulting and management service and offline sales channel expansion service, which is to physically help small businesses to recruit dealers, wholesalers, partners or franchisees based on their business needs. Management tools platform consists of a mobile-based sales and administrative management tools specifically designed for small business in China to match their simplicity.

Basis of presentation, management estimates and critical accounting policies

Our unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X, as promulgated by the SEC, and include the accounts of our Company, and all of our subsidiaries and VIEs. We prepare financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. In order to understand the significant accounting policies that we adopted for the preparation of our interim consolidated financial statements, you should refer to the information set forth in Note 3 “Summary of significant accounting policies” to our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Recent Accounting Standards

In February 2013, the FASB issued Accounting Standards Update (“ASU”) 2013-02, “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income”. The ASU does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The guidance is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The adoption of this standard is not expected to have a material impact on our consolidated financial position or results of operations.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

A. RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period. All amounts, except number of shares and per share data, are presented in thousands of US dollars.

	Three Months Ended March 31,	
	2013	2012
	US$	US$
	(Unaudited)	(Unaudited)
Sales	$ 6,990	$ 14,920
From unrelated parties	59	15
From related parties	7,049	14,935
Cost of sales	4,467	12,538
Gross margin	2,582	2,397
Operating expenses		
Selling expenses	788	689
General and administrative expenses	1,402	1,243
Research and development expenses	449	331
	2,639	2,263
Loss/(income) from operations	(57)	134
Other income (expenses)		
Interest income	32	5
Other expenses	(1)	(1)
	31	4
Loss/(income) before income tax expense, equity method investments and noncontrolling interests	(26)	138
Income tax benefit/(expense)	86	(236)
Income/(loss) before equity method investments and noncontrolling interests	60	(98)
Share of losses in equity investment affiliates	(71)	(193)
Net loss	(11)	(291)
Net loss/(income) attributable to noncontrolling interests	41	(75)
Net income/(loss) attributable to ChinaNet Online Holdings, Inc.	30	(366)
Earnings/(loss) per share		
Earnings/(loss) per common share		
Basic	$ 0.00	$ (0.02)
Diluted	$ 0.00	$ (0.02)
Weighted average number of common shares outstanding:		
Basic	22,186,540	22,182,584
Diluted	22,186,540	22,182,584

Revenue

The following tables set forth a breakdown of our total revenue, divided into five segments for the periods indicated, with inter-segment transactions eliminated:

Three Months Ended March 31,	
2013	2012

Revenue type	(Amounts expressed in thousands of US dollars, except percentages)					
Internet advertisement	$ 3,711	52.7	%	$ 4,306	28.8	%
Technical services	100	1.4	%	39	0.3	%
TV advertisement	2,638	37.4	%	10,369	69.4	%
Bank kiosks	69	1.0	%	71	0.5	%
Brand management and sales channel building	531	7.5	%	150	1.0	%
Total	$ 7,049	100	%	$ 14,935	100	%

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Total Revenues: Our total revenues decreased to US$7.05 million for the three months ended March 31, 2013 from US$14.9 million for the three months ended March 31, 2012, representing a 52.8% decrease. This decrease is primarily due to the significant decrease in low margin TV advertising revenue during the three months ended March 31, 2013 as compared to the same period of last year.

We derive the majority of our advertising service revenues from the sale of advertising space on our internet portals and from providing the related technical support and services, internet marketing service and content management services to unrelated third parties and to certain related parties. We also derive revenue from the sale of advertising time purchased from different TV programs. Our advertising services to related parties were provided in the ordinary course of business on the same terms as those provided to our unrelated advertising clients. For the three months ended March 31, 2013 and 2012, our service revenue from related parties in the aggregate was less than 1% of the total revenue we achieved for each respective reporting period.

Our advertising service revenues are recorded net of any sales discounts. Sales discounts include volume discounts and other customary incentives offered to our small and medium-sized franchise and merchant clients, including providing them with additional advertising time for their advertisements if we have unused space available on our websites and represent the difference between our official list price and the amount we actually charge our clients. We typically sign service contracts with our small and medium-sized franchisor and other clients that require us to place the advertisements on our portal websites in specified locations on the sites and for agreed periods; and/or place the advertisements onto our purchased advertisement time during specific TV programs for agreed periods. We recognize revenues as the advertisement airs over the contractual term based on the schedule agreed upon with our clients.

As a result of the research and development activities conducted and managed by Rise King WFOE, beginning in December 2009, our WFOE began providing a number of value added technical services and management systems to our internet advertisement customers, which services enhance the quality and performance of the internet advertising services provided by Business Opportunity Online. These value added technical services are primarily online technical management systems and platforms. Customers use these technical services to analyze, monitor and manage their advertisements on our key advertising portal, 28.com, their other traffic generating activities and their online marketing campaign activities. Revenues generated by Rise King WFOE are from the provision of technical and management systems including tools, databases and services developed and managed by Rise King WFOE to analyze, monitor and manage a customer’s advertisements on our key advertising portal, 28.com, their traffic generating activities, and their online marketing campaign activities. Most of these services are based on fixed price terms; revenues are then generated and recognized from the use of the online management system and tools on a periodic basis, together with the satisfaction of other applicable performance thresholds, if specified. Rise King WFOE’s customers are similar to our internet advertising customers, with approximately 70% of the WFOE’s customers also being customers of our internet advertisement services. The other 30% of Rise King WFOE’s customers do not directly advertise on our web portal but use Rise King WFOE’s management systems and the internet information collected from our key advertising web portal to monitor and manage their traffic generating activities and online marketing campaign activities. These value added technical services, operated and managed by Rise King WFOE, are primarily developed and offered as additions to the internet advertisement services provided by Business Opportunity Online. The revenue generating activities conducted by Rise King WFOE are not prohibited under the known and existing PRC laws and regulations, as our WFOE is providing value-added technical services to our clients, and is not engaged in the internet advertising business or any other business that is subject to obtaining an Internet Content Provider License. For the internet advertisement services conducted by our VIE, Business Opportunity Online, customers use our internet advertising portal, www. 28.com, to place internet advertisements in different formats, such as: banners, links, logos, buttons, as well as mini-sites. Customers get internet visits and messages from their advertisements placed on our portal. For the value added technical services provided by our WFOE, customers primarily use the technical and management systems offered by it to analyze, monitor and manage their advertisements and traffic generating activities on our advertising portal. For example, Rise King WFOE’s customers can use our management tools to obtain analysis of messages and sales leads received from their internet advertising.

The tables below summarize the revenues, cost of sales, gross margin and net income/(loss) generated from each of our VIEs and subsidiaries for the three months ended March 31, 2013 and 2012, respectively.

For the three months ended March 31, 2013:

Name of subsidiary or VIE	Revenue from unrelated parties ($'000)	Revenue from related parties ($'000)	Revenue from inter-company ($'000)	Total ($'000)
Rise King WFOE	53	47	-	100
Business Opportunity Online and subsidiaries	4,127	12	-	4,139
Beijing CNET Online and subsidiaries	2,810	-	-	2,810
Shanghai Jing Yang	-	-	-	-
Total revenue	6,990	59		7,049

For the three months ended March 31, 2013:

Name of subsidiary or VIE	Cost of Sales ($'000)	Gross Margin ($'000)
Rise King WFOE	-	100
Business Opportunity Online and subsidiaries	2,026	2,113
Beijing CNET Online and subsidiaries	2,441	369
Shanghai Jing Yang	-	-
Total	4,467	2,582

For the three months ended March 31, 2013:

Name of subsidiary or VIE	Net (Loss)/Income ($'000)
Rise King WFOE	(275)
Business Opportunity Online and subsidiaries	663
Beijing CNET Online and subsidiaries	(262)
Shanghai Jing Yang	(1)
ChinaNet Online Holdings, Inc.	(136)
Total net loss before allocation to the noncontrolling interest	(11)

For the three months ended March 31, 2012:

Name of subsidiary or VIE	Revenue from unrelated parties ($'000)	Revenue from related parties ($'000)	Revenue from inter-company ($'000)	Total ($'000)
Rise King WFOE	39	-	-	39
Business Opportunity Online and subsidiaries	12,668	15	-	12,683
Beijing CNET Online and subsidiaries	2,213	-	-	2,213
Shanghai Jing Yang	-	-	-	-

Total revenue	14,920	15	-	14,935

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For the three months ended March 31, 2012:

Name of subsidiary or VIE	Cost of Sales ($'000)	Gross Margin ($'000)
Rise King WFOE	2	37
Business Opportunity Online and subsidiaries	10,325	2,358
Beijing CNET Online and subsidiaries	2,211	2
Shanghai Jing Yang	-	-
Total	12,538	2,397

For the three months ended March 31, 2012:

Name of subsidiary or VIE	Net (Loss)/Income ($'000)
Rise King WFOE	(319)
Business Opportunity Online and subsidiaries	413
Beijing CNET Online and subsidiaries	(179)
Shanghai Jing Yang	(1)
ChinaNet Online Holdings, Inc.	(205)
Total net loss before allocation to the noncontrolling interest	(291)

Management considers revenues generated from internet advertising and the related technical services as one aggregate business operation and relies upon the consolidated results of all the operations in this business unit to make decisions about allocating resources and evaluating performance.

- Internet advertising revenues for the three months ended March 31, 2013 were approximately US$3.7 million as compared to US$4.3 million for the same period in 2012. Excluding the business tax expenses which was included in revenue before the launching of the Pilot Collection of Value Added Tax in lieu of Business Tax commencing on September 1, 2012 in Beijing, November 1, 2012 in Fujian province and December 1, 2012 in Hubei province of approximately US$0.21 million for the three months ended March 31, 2012, our internet advertising revenue decreased by approximately 9% for the three months ended March 31, 2013, as compared to the same period of last year. This decrease was primarily due to a decrease in the average internet advertising spending per customer caused by the general decline of China's economy continued to the first fiscal quarter of 2013.

- Revenues generated from technical services offered by Rise King WFOE were US$0.10 million for the three months ended March 31, 2013 as compared to US$0.04 million for the same period in 2012. Due to unexpectedly economic difficulties began from the second quarter of 2011, which only marginally improved in 2012 and the first quarter of 2013, with no significant changes in the overall economy, many of our clients, including our branded clients, who are mostly SMEs, reduced their advertising spending significantly. In response to the overall economic downturn in China, and from the second half of 2011, majority of our clients cancelled the subscription of these services and only continued their basic internet advertising service, which was recorded in as our internet advertising revenue discussed above. Therefore, for both the three months ended March 31, 2013 and 2012, our technical services revenue generated by Rise King WFOE was insignificant.

- Our TV advertising revenue decreased significantly to US$2.64 million for the three months ended March 31, 2013 from US$10.37 million for the same period in 2012. We generated this US$2.64 million in TV advertising revenue by selling approximately 1,864 minutes of advertising time that we purchased from different provincial TV stations as compared with approximately 10,396 minutes we sold in the same period of 2012. For the three months ended March 31, 2012, we had significantly increased the quantity of time slots purchased from TV stations as compared with previous years with the purpose to strategically bind the cooperating with the TV station for the launching of our entrepreneurial reality show, and consecutively to facilitate more general public visits to our entrepreneurial website, Chuanye.com, create additional traffic on our advertising portals, 28.com and Liansuo.com, and to monetize more branded larger size small and medium enterprises for our services and secure our competitive advantage and resources in the TV business segment against our competitors in concordance. However, due to the Chinese New Year holiday effect in the first quarter of each fiscal year, which is correspondingly considered to be the slowest time of the year, we had to strategically bundle the time slots at cost for other quarter’s slots in order to achieve the expected sale results. Therefore, we achieved only 0.2% gross margin for this segment for the three months ended March 31, 2012. For the three months ended March 31, 2013, in consideration of the Chinese New Year holiday effect, we kept limited TV time slots at an affordable cost to the needed customers at an agreed profitable price, which enabled us to improve the gross margin for this business segment to 5% for the period. We will continue to monitor our customers’ needs of the TV advertising services and improve the profitability of this business segment in 2013.

- For the three months ended March 31, 2013 and 2012, we earned both approximately US$0.07 million of revenue from the bank kiosk business segment. The bank kiosk advertising business is not intended to expand at the moment as management's primary focus is on expanding internet business. The kiosk business' many details still need to be further analyzed and confirmed before allocating more capital to this business unit. Therefore, it was not a significant contributor to revenue for either the three months ended March 31, 2013 or 2012. Management currently maintains this business without any expansion plans and some of the technology used in this business unit will be fully integrated into the overall advertising and marketing platform.

- For the three months ended March 31, 2013, we achieved approximately US$0.53 million service revenue from our brand management and sales channel building segment as compared to US$0.15 million service revenue generated in the same period of 2012, which was primarily due to different number of projects engaged and completed in these periods. Due to the estimated slow recovery of economy in 2013 and the fact that management's primary focus is on expanding internet business, we only expect moderate growth in this business segment in 2013.

Cost of revenues

Our cost of revenue consisted of costs directly related to the offering of our advertising services, technical services, marketing services and brand management and sales channel building services. The following table sets forth our cost of revenues, divided into five segments, by amount and gross profit ratio for the periods indicated, with inter-segment transactions eliminated:

	Three Months Ended March 31,					
	2013			2012		
	(Amounts expressed in thousands of US dollars, except percentages)					
	Revenue	Cost	GP ratio	Revenue	Cost	GP ratio
Internet advertisement	$3,711	$1,644	56 %	$4,306	$2,090	51 %
Technical service	100	-	100 %	39	2	95 %
TV advertisement	2,638	2,500	5 %	10,369	10,344	0.2 %
Bank kiosk	69	-	100 %	71	6	92 %
Brand management and sales channel building	531	323	39 %	150	96	36 %
Total	$7,049	$4,467	37 %	$14,935	$12,538	16 %

Cost of revenues: Our total cost of revenues decreased to US$4.47 million for the three months ended March 31, 2013 from US$12.54 million for the same period in 2012. This was primarily due to the significant decrease in costs associated with our TV advertisement business segment, which was in line with the decrease in our TV advertisement revenue as discussed above. Our cost of revenues related to the offering of our advertising and marketing services primarily consists of internet resources purchased from other portal websites and technical services providers related to lead generation, sponsored search, TV advertisement time costs purchased from TV stations, direct labor cost associated with providing services.

- Cost associated with obtaining internet resources was the largest component of our cost of revenue for internet advertisement, accounting for over 80% of our total internet advertisement cost of sales. We purchased these internet resources from other well-known portal websites in China, such as: Baidu, Google and Tecent (QQ). Our purchasing of these internet resources in large volumes for ultimate use by our customers allowed us to negotiate discounts with our suppliers. The majority of the resources purchased were used by the internet advertising unit to attract more internet traffic to our advertising portals, assist our internet advertisement clients to obtain more diversified exposure and to generate more visits to their advertisements and mini-sites placed on our portal websites. For the three months ended March 31, 2013 and 2012, our total cost of sales for internet advertising was US$1.64 million and US$2.09 million, respectively. Excluding the business tax expenses which was included in cost of sales before the launching of the Pilot Collection of Value Added Tax in lieu of Business Tax commencing on September 1, 2012 in Beijing, November 1, 2012 in Fujian province and December 1, 2012 in Hubei province of approximately US$0.21 million for the three months ended March 31, 2012, our internet advertising cost decreased by approximately 12% for the three months ended March 31, 2013 as compared to the same period of last year. The decrease in our internet advertising cost was in line with the decrease of our internet advertising revenue as discussed above, and partially benefited from our efforts in, first, actively engaging in mobile marketing tools, such as Weibo and WeChat; second, actively participating in various franchise exhibitions and other related events, which indirectly promoted our brand recognition, and in return created additional traffic to our advertising portals and enabled us to save certain of our internet resources cost. As a result, our gross profit ratio for internet advertising revenue increased to 56% for the three months ended March 31, 2013 from 51% for the same period of last year.

- TV advertisement time cost is the largest component of cost of revenue for TV advertisement revenue. We purchase TV advertisement time from different provincial TV stations and resell it to our TV advertisement clients. Our TV advertisement time cost was approximately US$2.5 million and US$10.3 million for the three months ended March 31, 2013 and 2012, respectively. The significant decrease in our total TV advertisement time cost was in line with the significant decrease of TV advertising revenue for the three months ended March 31, 2013 as compared to that in the same period of 2012, as discussed above.

- Cost recognized for Brand management and sales channel building business segment mainly consisted of director labor cost for providing these services to our customers.

Gross Profit

As a result of the foregoing, our gross profit was US$2.6 million for the three months ended March 31, 2013 as compared to US$2.4 million for the same period in 2012. Our overall gross margin increased to 37% for the three months ended March 31, 2013 as compared with 16% for the same period in 2012. This increase is a direct result of the significant decrease in the low margin TV advertising revenue, which accounted for approximately 37% of our total revenue for the three months ended March 31, 2013 as compared to 69% in the same period of 2012.

Operating Expenses and Net Income

Our operating expenses consist of selling expenses, general and administrative expenses and research and development expenses. The following tables set forth our operating expenses, divided into their major categories by amount and as a percentage of our total revenues for the periods indicated.

	Three Months Ended March 31,			
	2013		2012	
	(Amounts expressed in thousands of US dollars, except percentages)			
	Amount	% of total revenue	Amount	% of total revenue
Total Revenue	$ 7,049	100 %	$ 14,935	100 %
Gross Profit	2,582	37 %	2,397	16 %
Selling expenses	788	11 %	689	5 %
General and administrative expenses	1,402	20 %	1,243	8 %
Research and development expenses	449	6 %	331	2 %
Total operating expenses	$ 2,639	37 %	$ 2,263	15 %

Operating Expenses: Our operating expenses increased to US$2.64 million for the three months ended March 31, 2013 from US$2.26 million for the same period of 2012.

- Selling expenses: Selling expenses increased to US$0.79 million for the three months ended March 31, 2013 from US$0.69 million for the same period of 2012. Our selling expenses primarily consist of advertising expenses for brand development that we pay to TV stations and other media outlets for the promotion and marketing of our advertising web portals, other advertising and promotional expenses, website server hosting and broadband leasing expenses, staff salaries, staff benefits, performance bonuses, travelling expenses, communication expenses and other general office expenses of our sales department. For the three months ended March 31, 2013, the change in our selling expenses was primarily due to the following reasons: (1) the increase in staff salary, bonus, employee related benefit expenses and other general selling expenses, such as travelling expenses, business and entertainment expenses and communication expenses of approximately US$0.08 million, primarily due to expansion of our sales department; (2) the increase in website server hosting and broadband leasing expense of approximately US$0.07 million to enhance the safety of our network platforms; and (3) the decrease in our brand development advertising expenses for our advertising web portals of approximately US$0.05 million. Due to the current economic downturn, the increase of TV advertising cost and our overall cost reduction plan, we decided to slow down the brand-building activities until the recovery of the economy based on the factor that our key advertising web portal, 28.com, has been already recognized as one of the most popular Chinese internet portals providing internet advertising and marketing services with sales leads, and other value-added services to SMEs, particularly for small and medium-sized franchisors, in the PRC, by the investment we made in brand building over previous years. In 2013, we will continue to actively participate in both domestic and international franchise exhibitions and in government supported employment promotion programs, which are considered as more cost-effective ways for our continue brand building efforts.

l General and administrative expenses: General and administrative expenses increased to US$1.40 million for the three months ended March 31, 2013 from US$1.24 million for the same period in 2012. Our general and administrative expenses primarily consist of salaries and benefits for management, accounting and administrative personnel, office rentals, depreciation of office equipment, professional service fees, maintenance, utilities and other office expenses. For the three months ended March 31, 2013, the change in our general and administrative expenses was primarily due to the following reasons: (1) the decrease in general administrative expenses, such as: office supplies, travelling expenses and entertainment expenses of approximately US$0.05 million, due to the cost reduction plan executed by management; (2) the increase in allowances for doubtful debts of approximately US$0.26 million related to our overdue TV advertising contract guarantee deposits; and (3) the decrease in professional service (such as: investor relations, legal, etc.) charges of approximately US$0.05 million, primarily due to decrease in the related services required from these parties as compared to the same period of last year.

l Research and development expenses: Research and development expenses increased to US$0.45 million for the three months ended March 31, 2013 from US$0.33 million for the same period of 2012. Our research and development expenses primarily consist of salaries and benefits for the research and development staff, equipment depreciation expenses, and office utilities and supplies allocated to our research and development department. The increase in research and development expenses for the three months ended March 31, 2013 was primarily due to the increase in the research and development activities related to the cloud-based application software and the new mobile platform for internet advertising during the period.

Loss/(income) from opeatings: As a result of the foregoing, we incurred a loss from operations of approximately US$0.06 million for the three months ended March 31, 2013 as compared to an income from operations of approximately US$0.13 million for the same period in 2012.

Interest income: For the three months ended March 31, 2013, we earned approximately US$0.03 million interests income which primarily contributed from the approximately US$3.4 million term deposit we placed in one of the major financial institutions in the PRC.

Loss/(income) before income tax expense, equity method investments and noncontrolling interests: As a result of the foregoing, we incurred a loss before income tax expense, equity method investment and noncontrolling interest of approximately US$0.03 million for the three months ended March 31, 2013 as compared to an income before income tax expense, equity method investment and noncontrolling interest of approximately US$0.14 million for the same period in 2012.

Income Tax benefit/(expenses): We recognized a net income tax benefit of approximately US$0.09 million and a net income tax expense of approximately US$0.24 million for the three months ended March 31, 2013 and 2012, respectively. For the three months ended March 31, 2013 and 2012, current income tax expense was approximately US$0.10 million and US$0.62 million, respectively. The decrease in the current income tax expense was primarily due to the decrease in the effective income tax rates of Business Opportunity Online Hubei for the three months ended March 31, 2013. Business Opportunity Online was still in the process applying its software company qualification during the three months ended March 31, 2012 and used 25% to accrue its income tax expense for the period. For the three months ended March 31, 2013, our net income tax benefit also included an approximately US$0.06 million deferred income tax benefit in relation to the amortization expenses of the intangible assets identified in the acquisition transactions consummated in 2011 and an approximately US$0.13 million net deferred income tax benefit in relation to the net operating loss incurred by our PRC operating VIEs for the three months ended March 31, 2013, which we consider likely to be able to be utilized with respect to future earnings of the entities to which the operating losses relate. For the three months ended March 31, 2012, our net income tax expense also included an approximately US$0.05 million deferred income tax benefit in relation to the amortization expenses of the intangible assets identified in the acquisition transactions consummated in 2011 and an approximately US$0.33 million deferred income tax benefit in relation to the net operating loss incurred by our PRC operating VIEs for the three months ended March 31, 2012, which we consider likely to be able to be utilized with respect to future earnings of the entities to which the operating losses relate.

Income/(loss) before equity method investments and noncontrolling interests: As a result of the foregoing, our income before equity method investments and noncontrolling interests was approximately US$0.06 million as compared to a loss before equity method investments and noncontrolling interests of approximately US$0.10 million for the three months ended March 31, 2012.

Share of losses in equity investment affiliates: For the three months ended March 31, 2013, we beneficially own 23.18% and 25.5% equity interest in Shenzhen Mingshan and Zhao Shang Ke Hubei, respectively. Accordingly, we recognized our pro-rata share of losses in Shenzhen Mingshan and Zhao Shang Ke Hubei of approximately US$0.026 and US$0.045 million, respectively. For the three months ended March 31, 2012, we beneficially own 20.4% and 25.5% equity interest in Shenzhen Mingshan and Zhao Shang Ke Hubei, respectively. Accordingly, we recognized our pro-rata share of losses in Shenzhen Mingshan and Zhao Shang Ke Hubei of approximately US$0.08 and US$0.11 million, respectively.

Net loss: As a result of the foregoing, our net loss incurred for the three months ended March 31, 2013 and 2012 was approximately US$0.01 million and US$0.29 million, respectively.

Loss/(inome) attributable to noncontrolling interest: Beijing Chuang Fu Tian Xia and Sheng Tian Hubei were 51% owned by Business Opportunity Online and Business Opportunity Online Hubei, respectively, upon incorporation. In December 2011, we, through one of our operating VIEs, acquired a 51% equity interest in Sou Yi Lian Mei and Sou Yi Lian Mei became a majority-owned VIE of ours until September 2012, when we acquired the remaining 49% equity interest in it. For the three months ended March 31, 2013, the aggregate net losses allocated to the noncontrolling interests of Beijing Chuang Fu Tian Xia and Sheng Tian Hubei was approximately US$0.04 million. For the three months ended March 31, 2012 the aggregate net losses allocated to the noncontrolling interest of Beijing Chuang Fu Tian Xia and Sheng Tian Hubei was approximately US$0.08 million, and net income allocated to the noncontrolling interest of Sou Yi Lian Mei was approximately US$0.16 million. Given the foregoing, net amount recognized as net income attributable to noncontrolling interests for the three months ended March 31, 2012 was approximately US$0.08 million.

Net income/(loss) attributable to ChinaNet Online Holdings, Inc.: Total net loss as adjusted by the net loss/(income) attributable to the noncontrolling interest shareholders as discussed above yields the net income/(loss) attributable to ChinaNet Online Holdings, Inc. Our net income attributable to ChinaNet Online Holdigs, Inc. was approximately US$0.03 million for the three months ended March 31, 2013 as compared to a net loss attributable to ChinaNet Online Holdings, Inc. of approximately US$0.37 million for the three months ended March 31, 2012.

B. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents represent cash on hand and deposits held at call with banks. We consider all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. As of March 31, 2013, we had cash and cash equivalents of approximately US$3.8 million and we also have approximately US$3.4 million of term deposit placed in one of the major financial institutions in China which will expire in July 2013.

Our liquidity needs include (i) net cash used in operating activities that consists of (a) cash required to fund the initial build-out and continued expansion of our network and (b) our working capital needs, which include deposits and advance payment to TV advertising slots and internet resource providers, payment of our operating expenses and financing of our accounts receivable; and (ii) net cash used in investing activities that consist of the payment for acquisitions to further expand our business and client base, investment in software technologies to enhance the functionality of the management tools provided by our advertising portals and investment in other general office equipment. To date, we have financed our liquidity need primarily through proceeds from operating activities we generated in prior years. Our existing cash is adequate to fund operations for the next 12 months.

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The following table provides detailed information about our net cash flow for the periods indicated:

	Three Months Ended March 31, 2013	2012
	Amounts in thousands of US dollars	
Net cash (used in) provided by operating activities	$ (431)	$ 363
Net cash used in investing activities	(1,283)	(2,461)
Net cash provided by financing activities	-	311
Effect of foreign currency exchange rate changes on cash	23	56
Net decrease in cash and cash equivalents	$ (1,691)	$ (1,731)

Net cash (used in) provided by operating activities:

For the three months ended March 31, 2013, our net cash used in operating activities of approximately US$0.43 million were primarily attributable to:

(1) net income excluding an approximately US$0.19 million net deferred income tax benefit, a US$0.50 million non-cash expenses of depreciation, amortizations, share-based compensation and our share of losses in equity investment affiliates, and a US$0.26 million of allowances for doubtful debts of approximately US$0.56 million;

(2) the receipt of cash from operations from changes in operating assets and liabilities such as:

- accounts payable increased by approximately US$0.11 million;

- advances from customers increased by approximately US$0.56 million; and

- taxes payable increased by approximately US$0.13 million.

(3) offset by the use from operations from changes in operating assets and liabilities such as:

- accounts receivable and due from related parties for the advertising services provided increased by approximately US$1.35 million;

- prepayment to suppliers increased by approximately US$0.41 million; and

- net increase in other current assets and decease in other current liabilities of approximately US$0.04 million.

For the three months ended March 31, 2012, our net cash provided by operating activities of approximate US$0.36 million was primarily attributable to:

(1) net loss excluding an approximately US$0.38 million net deferred income tax benefit and a US$0.62 million non-cash expenses of depreciation, amortizations, share-based compensation and our share of losses in equity investment affiliates of approximately US$0.05 million;

(2) the receipt of cash from operations from changes in operating assets and liabilities such as:

- other receivables decreased by approximately US$0.26 million, which was primarily due to the collection of overdue contact deposit for TV adverting resources purchased;

- prepayment and deposit to suppliers decreased by approximately US$1.74 million, which was primarily due to the transferring of prepayment to suppliers to cost of sales when the related services had been provided by the suppliers.

- advances from customers increased by approximately U$S1.16 million; and

- taxes payable increased by approximately US$0.63 million.

(3) offset by the use from operations from changes in operating assets and liabilities such as:

- accounts receivable and due from related parties for the advertising services provided increased by approximately US$3.11 million;

- due to related parties decreased by approximately US$0.08 million, due to returning the nominal shareholders of Shanghai Jing Yang for their original paid-in capital contribution;

- accrued payroll and other accruals decreased by approximately US$0.13 million; and

- net increase in other current assets and decease in other current liabilities of approximately US$0.08 million.

Net cash used in investing activities:

For the three months ended March 31, 2013, our cash used in investing activities included the following transactions: (1) we spent approximately US$0.01 million for purchasing of general office equipments; and (2) we paid approximately US$1.27 million to settle the outstanding payment for the acquisition of the 49% equity interest in Sou Yi Lian Mei. In the aggregate, these transactions resulted in a net cash outflow from investing activities of approximately US$1.28 million for the three months ended March 31, 2013.

For the three months ended March 31, 2012, our net cash used in investing activities included the following transactions: (1) we spent approximately US$0.01 million for purchasing of general office equipments; and (2) we made an approximately US$2.45 million project development deposit to a third party project development and management company for the participation of the Xiaogan TMT Zone development and management. This TMT zone is intended to become the headquarters for the SMEs, especially the small and medium sized franchising business, with all the supporting TMT services. The deposit is refundable subject to upcoming planning and further evaluation of the development of the Xiaogan TMT Zone. If after evaluation, further involvement in the development is not economical or efficient for us and we decide to exit, the deposit will be refunded within year 2012. In the aggregate, these transactions resulted in a net cash outflow from investing activities of approximately US$2.46 million for the three months ended March 31, 2012.

Net cash provided by financing activities:

For the three months ended March 31, 2013, no cash generated from financing activities or spent for financing activities.

For the three months ended March 31, 2012, our net cash provided by financing activities was approximately US$0.31 million which primarily consisted of the following transactions: (1) cash dividends paid to our preferred stockholders of approximately US$0.01 million and (2) one of our VIEs borrowed an approximately US$0.32 million working capital loan from Zhao Shang Ke Hubei, our equity investment affiliate, which was recorded as cash inflow from financing activities.

Restricted Net Assets

As most of our operations are conducted through our PRC subsidiary and VIEs, our ability to pay dividends is primarily dependent on receiving distributions of funds from our PRC subsidiary and VIEs. Relevant PRC statutory laws and regulations permit payments of dividends by our PRC subsidiary and VIEs only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and after it has met the PRC requirements for appropriation to statutory reserves. Paid in capital of the PRC subsidiary and VIEs included in our consolidated net assets are also not distributable for dividend purposes.

In accordance with the PRC regulations on Enterprises with Foreign Investment, a WFOE established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise’s PRC statutory accounts.

A WFOE is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. Rise King WFOE is subject to the above mandated restrictions on distributable profits. Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide a statutory common reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide for a discretionary surplus reserve, at the discretion of the board of directors. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. All of our PRC VIEs are subject to the above mandated restrictions on distributable profits.

As a result of these PRC laws and regulations, our PRC subsidiary and VIEs are restricted in their ability to transfer a portion of their net assets to us. As of March 31, 2013 and December 31, 2012, net assets restricted in the aggregate, which includes paid-in capital and statutory reserve funds of our PRC subsidiary and VIEs that are included in our consolidated net assets, was approximately US$5.5 million.

The current PRC Enterprise Income Tax ("EIT") Law also imposed a 10% withholding income tax for dividends distributed by a foreign invested enterprise to its immediate holding company outside China. A lower withholding tax rate will be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign holding company. Holding companies in Hong Kong, for example, will be subject to a 5% rate. Rise King WFOE is invested by its immediate holding company in Hong Kong and will be entitled to the 5% preferential withholding tax rate upon distribution of the dividends to its immediate holding company.

The ability of our PRC subsidiaries to make dividends and other payments to us may also be restricted by changes in applicable foreign exchange and other laws and regulations.

Foreign currency exchange regulation in China is primarily governed by the following rules:

l Foreign Exchange Administration Rules (1996), as amended in August 2008, or the Exchange Rules;

lAdministration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Currently, under the Administration Rules, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foreign Exchange (the "SAFE") is obtained and prior registration with the SAFE is made. Foreign-invested enterprises like Rise King WFOE that need foreign exchange for the distribution of profits to its shareholders may effect payment from their foreign exchange accounts or purchase and pay foreign exchange rates at the designated foreign exchange banks to their foreign shareholders by producing board resolutions for such profit distribution. Based on their needs, foreign-invested enterprises are permitted to open foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments of foreign exchange at certain designated foreign exchange banks.

Although the current Exchange Rules allow the convertibility of Chinese Renminbi into foreign currency for current account items, conversion of Chinese Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE, which is under the authority of the People's Bank of China. These approvals, however, do not guarantee the availability of foreign currency conversion. We cannot be sure that it will be able to obtain all required conversion approvals for our operations or the Chinese regulatory authorities will not impose greater restrictions on the convertibility of Chinese Renminbi in the future. Currently, most of our retained earnings are generated in Renminbi. Any future restrictions on currency exchanges may limit our ability to use retained earnings generated in Renminbi to make dividends or other payments in U.S. dollars or fund possible business activities outside China.

As of March 31, 2013 and December 31, 2012, there were approximately US$38.5 million and US$38.1 million retained earnings in the aggregate, respectively, which were generated by our PRC subsidiary and VIEs in Renminbi included in our consolidated net assets, aside from US$2.5 million and US$2.4 million statutory reserve funds as of March 31, 2013 and December 31, 2012, respectively, that may be affected by increased restrictions on currency exchanges in the future and accordingly may further limit our PRC subsidiary's or VIEs' ability to make dividends or other payments in U.S. dollars to us, in addition to the approximately US$5.5 million restricted net assets as of March 31, 2013 and December 31, 2012, as discussed above.

C. OFF-BALANCE SHEET ARRANGEMENTS

None.

Item 3.Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

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Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal accounting and financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended March 31, 2013, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer have concluded that during the period covered by this report, the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the first fiscal quarter of 2013 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1.Legal Proceedings

We are currently not a party to any legal or administrative proceedings and are not aware of any pending or threatened legal or administrative proceedings against us in all material aspects. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

Item 1A.Risk Factors

This information has been omitted based on the Company's status as a smaller reporting company.

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

None.

Item 3.Defaults Upon Senior Securities

None.

Item 4.Mine Safety Disclosures

None.

Item 5.Other Information

None.

Item 6.Exhibits

The exhibits listed on the Exhibit Index below are provided as part of this report.

Exhibit No.	Document Description
31.1	Certification of the Principal Executive Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Accounting and Financial Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer and of the Principal Accounting and Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
101	Interactive Data Files

SIGNATURES

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

CHINANET ONLINE HOLDINGS, INC.

Date: May 20, 2013	By:	/s/ Handong Cheng Name: Handong Cheng Title: Chief Executive Officer (Principal Executive Officer)
	By:	/s/ Zhige Zhang Name: Zhige Zhang Title: Chief Financial Officer (Principal Accounting and Financial Officer)