

SPARK NETWORKS INC
Form DEF 14A
April 28, 2010

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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SPARK NETWORKS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

SPARK NETWORKS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

You are cordially invited to attend the Annual Meeting of Stockholders (the Annual Meeting) of Spark Networks, Inc., a Delaware corporation (the Company), to be held at the Company s principal executive offices located at 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211 on June 7, 2010 at 9:00 a.m. Pacific Daylight Time.

The Annual Meeting of the Company is being held for the following purposes:

1. To approve an amendment to the Company s Certificate of Incorporation to declassify the structure of the board of directors;
2. If Proposal 1 is approved, the election of five (5) members to the board of directors to serve for one-year terms. If Proposal 1 is not approved, the election of two (2) members to the board of directors to serve for three-year terms;
3. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2010; and
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

The board of directors recommends a vote for the amendment to the Company s Certificate of Incorporation; for the election of the five director-nominees to serve for one-year terms if the proposal to declassify the board is approved or for the election of the two director-nominees to serve for three-year terms if the proposal to declassify the board is not approved; and for the ratification of Ernst & Young LLP as the Company s independent registered public accounting firm for the year ending December 31, 2010.

The board of directors has fixed the close of business on April 26, 2010 as the record date (the Record Date) for determining those stockholders who will be entitled to vote at the Annual Meeting.

The Company s Annual Report to Stockholders for the year ended December 31, 2009 is enclosed with this notice. The following proxy statement and enclosed proxy card is being sent to each stockholder as of the Record Date. You are cordially invited to attend the Annual Meeting, but if you do not expect to attend, or if you plan to attend, but desire the proxy holders to vote your shares, please date and sign your proxy card and return it in the enclosed postage paid envelope. The giving of this proxy card will not affect your right to vote in person in the event you find it convenient to attend. Please return the proxy card promptly to avoid the expense of additional proxy solicitation. If you are a stockholder who owns shares through a nominee and attends the Annual Meeting, you should bring a letter from your nominee identifying you as the beneficial owner of the shares and acknowledging that you will vote your shares.

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Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 7, 2010. The 2010 Proxy Statement and the Annual Report to Stockholders for the year ended December 31, 2009 are also available at <http://www.spark.net/proxy.htm>.

FOR THE BOARD OF DIRECTORS

Joshua A. Kreinberg

Corporate Secretary

Dated: April 27, 2010

Beverly Hills, California

SPARK NETWORKS, INC.

PROXY STATEMENT

For Annual Meeting to be Held

June 7, 2010 at 9:00 a.m. Pacific Daylight Time

This proxy statement is delivered to you by Spark Networks, Inc. (we, us, the Company, or Spark), a Delaware corporation, in connection with the Annual Meeting of Stockholders of the Company to be held on June 7, 2010 at 9:00 a.m. Pacific Daylight Time at 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211 (the Annual Meeting). The approximate mailing date for this proxy statement and the enclosed proxy is May 5, 2010.

The purpose of the Annual Meeting is to seek stockholder approval of three proposals: (1) amending the Company's Certificate of Incorporation to declassify the structure of the board of directors, (2) electing five directors to the board of directors to serve one-year terms if Proposal 1 is approved, or electing two directors to the board of directors to serve three-year terms if Proposal 1 is not approved, and (3) ratifying the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010.

Annual Report

Our annual report to stockholders for the year ended December 31, 2009 will be concurrently provided to each stockholder at the time we send this proxy statement and the enclosed proxy card and is not to be considered a part of the proxy soliciting material.

Quorum; Voting Rights

Holders of our common stock of record at the close of business on April 26, 2010 (the Record Date) will be entitled to vote at the Annual Meeting. There were 20,586,544 shares of common stock outstanding as of the Record Date. Each share of our common stock is entitled to one vote, and the presence, in person or by proxy, of holders of a majority of the outstanding shares of our common stock, is necessary to constitute a quorum for the Annual Meeting. If a quorum is not present at the Annual Meeting, we expect that the Annual Meeting will be adjourned to

solicit additional proxies. Stockholders may not cumulate their votes.

Voting Your Proxy

Your vote is important. Your shares can be voted at the Annual Meeting only if you are present in person or represented by proxy. Even if you plan to attend the Annual Meeting, we urge you to vote in advance. If you choose to vote by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

Stockholders who hold their shares beneficially in street name through a nominee (such as a bank or broker) may be able to vote by telephone, the internet or mail. You should follow the instructions you receive from your nominee to vote those shares. If you are a stockholder who owns shares through a nominee and attends the Annual Meeting, you should bring a letter from your nominee identifying you as the beneficial owner of the shares and acknowledging that you will vote your shares.

We are not aware of any matter to be presented at the annual meeting that is not included in this proxy statement. However, your proxy authorizes the persons named on the proxy card to take action on additional matters that may properly arise. These individuals will exercise their best judgment to vote on any other matter, including a question of adjourning the annual meeting.

Counting of Votes

If a proxy in the accompanying form is duly executed and returned, the shares represented by the proxy will be voted as directed. If no direction is given, the shares represented by the proxy will be voted (1) FOR the approval of an amendment to the Company's Certificate of Incorporation to declassify the structure of the board of directors, (2) FOR the election of the nominees for director named herein, and (3) FOR the reappointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010. All properly executed proxies delivered pursuant to this solicitation and not revoked will be voted at the Annual Meeting in accordance with the directions given. Representatives of our transfer agent will assist us in the tabulation of the votes.

Abstentions and Broker Non-Votes

An abstention is the voluntary act of not voting by a stockholder who is present at a meeting and entitled to vote.

Brokers that hold shares of common stock in street name for customers that are the beneficial owners of those shares may generally vote on routine matters. However, brokers generally do not have discretionary voting power (i.e. they can not vote) on non-routine matters without specific instructions from their customers. Proposals are determined to be routine or non-routine matters based on the rules of the various regional and national exchanges of which the brokerage firm is a member. A broker non-vote occurs when a broker's customer does not provide the broker with voting instructions on a non-routine matter.

Refer to each proposal for a discussion of the effect of abstentions and broker non-votes on determining the presence of a quorum and on the results of each proposal.

Revoking Your Proxy

Any proxy given may be revoked at any time prior to its exercise by notifying the Corporate Secretary of the Company in writing of such revocation, by duly executing and delivering another proxy bearing a later date, or by attending and voting in person at the Annual Meeting. The Company's principal executive office is located at 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211.

Solicitation of Proxies

The cost of this solicitation of proxies will be borne by the Company. Solicitations will be made by mail. In addition, the officers and other regularly engaged employees of the Company may, in a limited number of instances, solicit proxies personally or by telephone. The Company will reimburse banks, brokerage firms, other custodians, nominees and fiduciaries for reasonable expenses incurred in sending proxy materials to

beneficial owners of the common stock of the Company.

Delivery of Proxy Materials to Households

Householding is a program, approved by the Securities and Exchange Commission (the SEC), which allows companies and intermediaries (e.g. brokers) to satisfy the delivery requirements for proxy statements and annual reports by delivering only one package of stockholder proxy material to any household at which two or more stockholders reside. If you and other residents at your mailing address own shares of our common stock in street name, your broker or bank may have notified you that your household will receive only one copy of our proxy materials. Once you have received notice

from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account. If you hold shares of our common stock in your own name as a holder of record, householding will not apply to your shares.

Interest of Executive Officers and Directors

None of the Company's executive officers or directors has any interest in any of the matters to be acted upon at the Annual Meeting, except to the extent that (1) a director has an interest with respect to the proposal regarding an amendment to the Company's Certificate of Incorporation to declassify the structure of the board of directors or (2) a director is named as a nominee for election to the board of directors.

PROPOSAL NO. 1

AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO DECLASSIFY THE STRUCTURE OF ITS BOARD OF DIRECTORS

Article VII, Section 2 of our Certificate of Incorporation currently provides for the classification of the board of directors into three classes, and members of each class are elected to serve for staggered three-year terms. At last year's Annual Meeting of Stockholders, a majority of the voting stockholders approved a stockholder proposal to ask the Company to take the steps necessary to reorganize the board of directors into one class with each director subject to election annually. These votes represented a total of 60.82% of the issued and outstanding shares of common stock of the Company. Accordingly, on April 14, 2010, our board of directors declared advisable and approved, subject to stockholder approval, an amendment to Article VII, Section 2 of the Company's Certificate of Incorporation that would declassify the board and ultimately cause each director to be elected annually for a one-year term.

A classified board of directors can make it more difficult for stockholders to change a majority of directors even if a majority of the stockholders is dissatisfied with the performance of incumbent directors. Many investors believe that the election of directors is the primary means for stockholders to influence corporate governance policies and to hold management accountable for implementing these policies.

Our board of directors is committed to good corporate governance. The directors examined the arguments for and against continuation of the classified board, in light of the size and financial strength of the Company and the vote of the Company's stockholders. The board believes that all directors should be equally accountable at all times for the Company's performance and that the will of the majority of stockholders should not be impeded by a classified board structure.

Upon approval, the proposed amendment will allow stockholders to review and express their opinions on the performance of all directors each year. Because the number of terms an individual may serve is not limited, the continuity and stability of the board's membership and our policies and long-term strategic planning should not be affected.

The board of directors believes it is advisable and in the best interests of the Company and its stockholders to amend the Company's Certificate of Incorporation to declassify the board. If our stockholders approve this Proposal 1, effective as of this Annual Meeting, all of our directors whose terms do not expire at this annual meeting will resign and be nominated for election to a one-year term expiring at the 2011 annual meeting of stockholders. The two directors whose terms expire at this Annual Meeting will be nominated for election to a one-year term expiring at the 2011 annual meeting. Thereafter, all of our directors would be elected each year to serve for a one-year term and until their respective successors have been duly elected and qualified. If the amendment is adopted, it will become effective upon the filing of the Certificate of Amendment to the Company's Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware. The full text of the amendment to Article VII, Section 2 of the Company's Certificate of Incorporation is attached to this 2010 Annual Stockholder Meeting Notice and Proxy Statement as *Appendix A*.

If the stockholders vote to approve the amendment to the Company's Certificate of Incorporation, certain conforming changes to the Company's Bylaws to reflect the absence of a classified board will be necessary. The board has approved those amendments, subject to the stockholders voting to approve the amendment to the Company's Certificate of Incorporation.

If our stockholders do not approve the amendment, the board will remain classified and the directors will continue to be elected to serve three-year terms, subject to their earlier death, resignation, retirement or removal.

Vote Required

You may vote in favor or against this proposal or you may abstain from voting. The affirmative vote of a majority of the outstanding shares entitled to vote on this matter is required to approve the amendment to the Company's Certificate of Incorporation to declassify the structure of the board of directors. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the board of directors are to be voted on this proposal, such shares will be voted in favor of the amendment to the Company's Certificate of Incorporation to declassify the structure of the board of directors. Abstentions will count toward the presence of a quorum and will have the same effect as votes cast against the proposal. Generally, brokers and other nominees that do not receive instructions are entitled to vote on the approval of the amendment to the Company's Certificate of Incorporation to declassify the structure of the board of directors. Should a broker non-vote occur, it would be treated as present and entitled to vote for purposes of determining the presence of a quorum and it would have the same effect as a vote against the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE AMENDMENT TO THE
COMPANY'S CERTIFICATE OF INCORPORATION TO DECLASSIFY THE STRUCTURE OF ITS
BOARD OF DIRECTORS.**

PROPOSAL NO. 2

ELECTION OF DIRECTORS

The Company's board of directors is currently divided into three classes, with each class serving a three-year term and thereafter until the director's successor is duly elected and qualified or until the director's death, resignation or removal, such that one class of directors is elected annually at the Annual Meeting. The Company's Bylaws provide for a variable board of directors with a range of between two and nine members. The Company currently has five authorized members on its board of directors. The Company's Bylaws give the board of directors the authority to establish, increase or decrease the number of directors. The terms of the Class I directors, Benjamin Derhy and Thomas G. Stockham, expire at this Annual Meeting.

Declassification Proposal

On April 14, 2010, our board of directors declared advisable and approved, subject to stockholder approval, an amendment to the Company's Certificate of Incorporation eliminating the classified board. See Proposal 1, Amendment to the Company's Certificate of Incorporation to Declassify the Structure of its Board of Directors.

If Proposal 1 is approved, in order to make the declassification of the board effective at this Annual Meeting under Delaware law, each member of our board whose term does not expire at this Annual Meeting will resign, effective upon stockholder approval of Proposal 1 and the filing of the Certificate of Amendment with the Secretary of State of the State of Delaware. All five directors will then stand for election to a one-year term. If Proposal 1 is not approved, the two directors whose term expire at this Annual Meeting, Messrs. Derhy and Stockham, will stand for election to a three-year term expiring at the 2013 annual meeting of stockholders.

Director Nominees

If Proposal 1 is approved, our board will be declassified and each of the five directors elected at this Annual Meeting will serve for a one-year term expiring at the 2011 annual meeting and until their respective successors have been duly elected and qualified. Upon the recommendation of the Nominating Committee, the board has nominated Benjamin Derhy, Thomas G. Stockham, Michael A. Kumin, Jonathan B. Bulkeley and Adam S. Berger for election to the board for a one-year term. Unless otherwise directed by stockholders within the limits set forth in the Bylaws, the proxy holders will vote all shares represented by proxies held by them for the election of Messrs. Derhy, Stockham, Kumin, Bulkeley and Berger, all of whom are currently members of the Company's board of directors.

In the event Proposal 1 is not approved, our board will remain classified and each director will continue to serve three-year terms. Upon the recommendation of the Nominating Committee, the board has nominated Messrs. Derhy and Stockham for election to the board for a three-year term, in the event Proposal 1 is not approved. Unless otherwise directed by stockholders within the limits set forth in the Bylaws, the proxy holders will vote all shares represented by proxies held by them for the election of Messrs. Derhy and Stockham.

Each of the director-nominees has advised the Company of his availability and willingness to serve if elected. In the event that any of the director-nominees becomes unavailable or unable to serve as a member of the Company's board of directors prior to the voting, the proxy holders will refrain from voting for him or will vote for a substitute nominee in the exercise of their best judgment. You can find information about the

director-nominees below under the section Board of Directors and Executive Officers.

Vote Required

You may vote in favor of any or all of the nominees or you may withhold your vote as to any or all of the nominees. In order to elect a nominee, the affirmative vote of a plurality of all of the votes cast at the Annual Meeting is necessary for the election of the nominee for director assuming a quorum is present. Plurality means that the nominees receiving the largest number of votes cast are elected as directors up to the maximum number of directors to be elected at the meeting. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the board of directors are to be voted on this proposal, such shares will be voted in favor of the nominees. Abstentions and broker non-votes will count toward the presence of a quorum, but will not be counted as votes cast and will have no effect on the result of the vote.

In the past, if you held your shares in street name and you did not indicate how you wanted your shares to be voted in the election of directors, your broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent changes in regulations were made to take away the ability of your broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your broker how to vote in the election of directors, a broker non-vote will occur and no votes will be cast on your behalf. It is therefore critical that you cast your vote if you want it to count in the election of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE DIRECTOR-NOMINEES.

PROPOSAL NO. 3**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee has recommended the reappointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010. Ernst & Young LLP became our auditors in 2004. The stockholders are being requested to ratify the reappointment of Ernst & Young LLP at the Annual Meeting. The Company anticipates that a representative of Ernst & Young LLP will attend the Annual Meeting. The representative will have an opportunity to make a statement and to respond to appropriate stockholder questions.

Fees to Independent Registered Public Accounting Firm for Fiscal Years 2009 and 2008

During the fiscal years ended December 31, 2009 and 2008, we retained Ernst & Young LLP to provide services as follows:

<u>Service</u>	Fees for the Year Ended December 31,	
	2009	2008
Audit fees(1)	\$ 560,451	\$ 582,956
Audit-related fees(2)		50,360
Tax fees(3)	155,099	117,558
All other fees		
Total audit and non-audit fees	\$ 715,550	\$ 750,874

- (1) Fees for audit services include fees associated with the annual audit, the reviews of the Company's quarterly reports on Form 10-Q, and statutory audits required internationally.
- (2) Audit-related fees principally included due diligence in connection with acquisitions and accounting consultation.
- (3) Tax fees included tax compliance, tax advice, and tax planning.

Pre-Approval Policy

In accordance with our Audit Committee Charter, the Audit Committee pre-approves all auditing services and permitted non-audit services, if any, including tax services, to be performed for us by our independent auditor, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended, which are approved by the Audit Committee prior to the completion of the audit. The scope of the pre-approval shall include pre-approval of all fees and terms of engagement. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

Vote Required

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You may vote in favor or against this proposal or you may abstain from voting. The affirmative vote of a majority of all votes present or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of Ernst & Young LLP as Spark's independent registered public accounting firm. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the board of directors are to be voted on this proposal, such shares will be voted in favor of the appointment of Ernst & Young LLP as Spark's independent registered public accounting firm. Abstentions will count toward the presence of a quorum and will have the same effect as votes cast against the proposal. Generally, brokers and other nominees that do not receive instructions are entitled to vote on the ratification of the appointment of our independent registered public accounting firm. Should a broker non-vote occur, it would be treated as present and entitled to vote solely for purposes of determining the presence of a quorum, but it would have no effect on the outcome of the matter (i.e. it will be neither a vote for nor against the proposal).

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
RATIFICATION OF REAPPOINTMENT OF ERNST & YOUNG LLP.**

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS
Information Concerning Director Nominees

If Proposal 1 is not approved, each of the persons named below will be nominated for election as a director of the Company at this Annual Meeting to serve for a term of three years and thereafter until his successor is elected and has qualified or until his death, resignation or removal. The nominees are currently serving as directors of the Company. The board of directors, with the help of the Nominating Committee, identifies director-nominees, evaluating candidates based on the requirements set forth in the Company's Bylaws and applicable regulatory requirements.

Name	Age	Term Will Expire	Class and Year in Which	Positions
Benjamin Derhy(1)	55	Class I (2013)		Director
Thomas G. Stockham(1)	45	Class I (2013)		Director

(1) Member of the Audit Committee and the Compensation Committee.

If Proposal 1 is approved, each of the persons named below will be nominated for election as a director of the Company at this Annual Meeting to serve for a term of one year and thereafter until his successor is duly elected and has qualified or until his death, resignation or removal. The nominees are currently serving as directors of the Company.

Name	Age	Term Will Expire	Year in Which	Positions
Adam S. Berger	46	2011		Chief Executive Officer and Chairman of the Board
Benjamin Derhy(1)	55	2011		Director
Thomas G. Stockham(1)	45	2011		Director
Jonathan B. Bulkeley(2)	49	2011		Director
Michael A. Kumin(3)	37	2011		Director

(1) Member of the Audit Committee and the Compensation Committee.

(2) Chairman of the Audit Committee and member of the Nominating Committee.

(3) Chairman of the Compensation Committee and the Nominating Committee.

Benjamin Derhy has served as a member of the Company's board of directors since October 2004. Over the last seven years, Mr. Derhy has not held any employment positions but has been a private investor and entrepreneur, focusing on Internet, consumer products and real estate sectors as well as start-up companies in Europe and Israel. His experience also includes working with American companies and their expansion internationally. In 1984, Mr. Derhy co-founded Turbo Sportswear, a clothing manufacturer, and was employed there until 1997. Mr. Derhy holds both B.A. and M.B.A. degrees, in economics and finance, respectively, from the Hebrew University. The Company believes that Mr. Derhy's financial and business expertise give him the qualifications and skills to serve as a director.

Thomas G. Stockham has served as a member of the Company's board of directors since August 2007. Since May 2007, Mr. Stockham has not held any employment positions but has been an advisor, private investor and entrepreneur. From June 2006 to May 2007, Mr. Stockham served as the CEO and as a director of 3point5, Inc., a provider of online training services for manufacturers, retailers and retail salespeople. From September 2001 to April 2005, Mr. Stockham served as the CEO and President of MyFamily.com, Inc. (also known as The Generations Network and Ancestry.com), a provider of online media and subscription services for family genealogy and other services. Prior to MyFamily.com, Inc., Mr. Stockham served as president of Ticketmaster.com. Mr. Stockham received a B.A. in Government from Dartmouth College in 1987 and an M.B.A. from Stanford University in 1991.

The Company believes that Mr. Stockham's financial and business expertise, including a diversified background of managing companies and his past senior executive positions and operating experience with internet companies, give him the qualifications and skills to serve as a director.

Adam S. Berger has served as Chief Executive Officer since February 2007, has been a member of Spark's board of directors since September 2006 and was appointed Chairman of the Board in August 2007. From June 1999 to September 2006, he was CEO of WeddingChannel.com, Inc. where he led the company for seven years from its early stages through its sale to The Knot, Inc. Immediately prior, Mr. Berger was President of The Franklin Mint, a direct marketing company. He began his career with The Procter and Gamble Company and later joined The Boston Consulting Group. He received an M.B.A. with distinction from the Harvard Business School and a B.S. in Chemical Engineering from the University of California at Berkeley. Mr. Berger served as a director on the board of PeopleSupport, Inc. from January 2003 to October 2008. Mr. Berger currently serves as a director of Savings.com, a privately held company based in Santa Monica, CA. The Company believes that Mr. Berger's diversified background of managing companies and his past senior executive positions and operating experience with internet and marketing companies give him the qualifications and skills to serve as a director.

Jonathan B. Bulkeley joined the Company's board of directors in September 2006. Since February 2006, Mr. Bulkeley has served as CEO of Scanbuy, Inc., a company that develops bar code readers for cell phones. Prior to joining Scanbuy, Inc., from February 2002 to February 2006, he was Managing Partner of Achilles Partners LLC, an investment, advisory and research firm, and prior to that, he was Chairman and CEO of Lifeminders, Inc., an online direct marketing company. From December 1998 to January 2000, Mr. Bulkeley was CEO of barnesandnoble.com. Mr. Bulkeley served as a director of IGN Entertainment, Inc. from June 2004 to September 2005 and as a director of The Reader's Digest Association, Inc. from 2000 to March 2007. Mr. Bulkeley also served as Vice Chair of EDGAR-Online from April 2003 to April 2004 and Chairman of QXL Ricardo, plc from February 1998 to December 2004. He is currently a director of the UST Global Private Markets Fund, LLC, Excelsior LaSalle Real Estate Fund, Inc. and Excelsior Buyout Investors, LLC. Mr. Bulkeley is a graduate of Yale University. The Company believes that Mr. Bulkeley's financial and business expertise, including a diversified background of managing companies and his past senior executive positions and operating experience with internet and marketing companies, give him the qualifications and skills to serve as a director.

Michael A. Kumin joined as a member of our board of directors in June 2006. Mr. Kumin is a partner of Great Hill Partners, LLC, a private equity firm and the Company's largest stockholder, where he has served as an investment professional since June 2002. Previously, he served at separate times as an investment professional for Apollo Advisors, L.P. and Goldman, Sachs L.P. in their private equity funds. He holds a B.A. in public policy and international affairs from Princeton University. The Company believes that Mr. Kumin's financial and business expertise give him the qualifications and skills to serve as a director.

Executive Officers

The following table sets forth certain information with respect to our executive officers who are not also members of the Company's board of directors. For information concerning Adam S. Berger, our Chief Executive Officer and Chairman of the Board, see Information Concerning Director Nominees above.

Name	Age	Positions
Gregory R. Liberman	38	President and Chief Operating Officer
Brett A. Zane	43	Chief Financial Officer
Gregory J. Franchina	46	Chief Information Officer
Joshua A. Kreinberg	39	General Counsel and Corporate Secretary

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Gregory R. Liberman was appointed President in June 2006 and Chief Operating Officer in August 2005. He served as our General Counsel from October 2004 to April 2006 and Corporate Secretary from

January 2005 to September 2006. Mr. Liberman earned a J.D., with Honors, from The Law School at the University of Chicago and an A.B., with University Distinction and Honors in Economics, from Stanford University.

Brett A. Zane was appointed as our Chief Financial Officer effective December 2007. Prior to joining us, Mr. Zane had served as Chief Financial Officer of Lindora, Inc., a regional commercial weight loss management company since 2006. Between 2004 and 2006, Mr. Zane was Chief Financial Officer of Action Media Holdings, LLC, from 2003 until 2004, he was Chief Financial Officer of Liberman Broadcasting, Inc., a Spanish-language television and radio broadcaster, during which time certain securities of Liberman Broadcasting, Inc. became publicly traded, and from 1994 to 2003, Mr. Zane was Vice President and Chief Financial Officer of Logex Corporation, a specialty logistics and distribution company. Mr. Zane holds an MBA from The Anderson Graduate School of Management at UCLA and a Bachelor of Science in Economics from The Wharton School, University of Pennsylvania.

Gregory J. Franchina has served as our Chief Information Officer since June 2007. Mr. Franchina has over 22 years of technical and operational experience. From January 2007 to May 2007, Mr. Franchina worked as an independent consultant. From November 2005 to December 2006, Mr. Franchina was the Chief Information Officer and Vice President of Operations for Spot Runner, Inc., an Internet-based advertising agency. From July 1998 to November 2005, Mr. Franchina was the Chief Information Officer and Vice President of Operations for WeddingChannel.com, Inc., a provider of online wedding planning and bridal services. Mr. Franchina holds a B.S. in Computer Science from The College of William and Mary.

Joshua A. Kreinberg has served as our General Counsel since April 2006 and Corporate Secretary since September 2006. Prior to joining us, Mr. Kreinberg practiced law in Los Angeles and Paris with Gibson, Dunn & Crutcher LLP from May 1999 to April 2006 and Sullivan & Cromwell LLP from October 1997 to April 1999. He also served as a law clerk in Wilmington, Delaware at the U.S. Court of Appeals for the Third Circuit. Mr. Kreinberg earned a J.D. and an L.L.M. in international and comparative law with honors from Duke University's School of Law as well as an M.B.A. from Duke University's Fuqua School of Business where he was a Fuqua Scholar. Mr. Kreinberg also holds an A.B. with University Distinction and Honors in Quantitative Economics and Political Science from Stanford University.

CORPORATE GOVERNANCE AND BOARD MATTERS

Code of Business Conduct and Ethics

The Company's board of directors has adopted a Code of Business Conduct and Ethics (the "Code"), which applies to all directors, officers and employees. The purpose of the Code is to promote honest and ethical conduct. The Code is posted in the corporate governance section of the investor relations page of the Company's website located at *www.spark.net*, and is available in print, without charge, upon written request to the Corporate Secretary at Spark Networks, Inc., 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211. The Company intends to post promptly any amendments to or waivers of the Code on its website.

Director Independence

The board of directors has determined that each of the non-management directors, Jonathan B. Bulkeley, Benjamin Derhy, Michael A. Kumin and Thomas G. Stockham is an independent director as defined by the listing standards of the NYSE Amex currently in effect and approved by the U.S. Securities and Exchange Commission ("SEC") and all applicable rules and regulations of the SEC. All members of the Audit, Compensation and Nominating Committees satisfy the independence standards applicable to members of each such committee. The board of directors made this affirmative determination regarding these directors' independence based on discussion with the directors and on its review of the directors' responses to a standard questionnaire regarding employment and compensation history; affiliations, family and other relationships; and transactions with the Company. The board of directors considered relationships and transactions between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The purpose of the board of directors' review with respect to each director was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent under the NYSE Amex rules.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Attendance of Directors at Board Meetings and Annual Meeting of Stockholders

During the year ended December 31, 2009 the board of directors met seven times, the Audit Committee met five times, the Nominating Committee met one time and the Compensation Committee met nine times. Each current director who was on the board during 2009 attended at least 75% of the aggregate number of meetings held by (1) the board of directors and (2) those committees of the board of directors on which he served.

The Company does not have a policy requiring its directors to attend the Annual Meeting of Stockholders. In 2009, Mr. Berger attended the Annual Meeting of Stockholders in person and Messrs. Stockham and Derhy attended telephonically.

Board Committees

Audit Committee. The Audit Committee consists of Jonathan B. Bulkeley, Benjamin Derhy and Thomas G. Stockham, each of whom is an independent director. Mr. Bulkeley, Chairman of the Audit Committee, is an audit committee financial expert as defined under Item 407(d) of Regulation S-K. The purpose of the Audit Committee is to represent and assist the Company's board of directors in its general oversight of the Company's accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. The Audit Committee's responsibilities include:

The appointment, replacement, compensation, and oversight of work of the independent registered public accounting firm, including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services.

Reviewing and discussing with management and the independent auditor various topics and events that may have significant financial impact on our Company or that are the subject of discussions between management and the independent auditors.

The board of directors has adopted a written charter for the Audit Committee. A current copy of the Audit Committee Charter is available on the Company's website at: www.spark.net.

Compensation Committee. The Compensation Committee consists of Michael A. Kumin, Benjamin Derhy and Thomas G. Stockham. Each member is an independent director. Mr. Kumin is the Chairman of the Compensation Committee. The Compensation Committee is responsible for the design, review, recommendation and approval of compensation arrangements for the Company's directors, executive officers, including our Chief Executive Officer, and key employees, and for the administration of our equity incentive plans, including the approval of grants under such plans to our employees, consultants and directors. The Compensation Committee conducts an annual review (in connection with the conclusion of our business planning process) of the compensation packages for each of our named executive officers. Based on this review, the Compensation Committee approves, to the extent applicable, (a) base salary changes, (b) any cash payout amounts earned under the previous year's annual cash incentive awards, (c) equity grants and (d) targets and potential payout amounts under any performance-based incentive compensation programs for the new year. The Compensation Committee will annually review the proposed performance metric(s) applicable to the named executive officers and approve the performance targets and target payout amounts for the named executive officers. The Company does not have a general equity grant policy. The Compensation Committee usually holds monthly meetings, which generally occur on the first Monday of the month to consider stock option grants and any other Compensation Committee business; however, the Compensation Committee may change this schedule to grant options on an alternative, consistent basis. The Compensation Committee may take other individual compensation actions during the year as needed. In reviewing and making compensation decisions of other executive officers, the Committee may consult with the Company's Chief Executive Officer and any others who can review the performance of the other executive officers, provide annual recommendations for individual management objectives, and provide input on strategic initiatives. The Compensation Committee has the authority, to the extent it deems necessary or appropriate, to retain a compensation consultant and other advisors to assist in the evaluation of director, Chief Executive Officer or executive officer compensation.

The board of directors has adopted a written charter for the Compensation Committee. A current copy of the Compensation Committee Charter is available on the Company's website at: www.spark.net.

Nominating Committee. The Nominating Committee consists of Jonathan B. Bulkeley and Michael A. Kumin, each of whom is an independent director. Mr. Kumin is the Chairman of the Nominating Committee. The Nominating Committee assists in the selection of director nominees, approves director nominations to be presented for stockholder approval at our annual general meeting, fills any vacancies on our board of directors, considers any nominations of director candidates validly made by stockholders, and reviews and considers developments in corporate governance practices. The board of directors has adopted a written charter for the Nominating Committee. A current copy of the Nominating Committee Charter is available on the Company's website at: www.spark.net.

Board Leadership Structure and Role in Risk Oversight

The board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the board of directors believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the board. The board has determined that having the Company's Chief Executive Officer serve as Chairman is in the best interest of the Company's stockholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, as well as fostering greater communication between the Company's management and the board.

Companies face a variety of risks, including credit risk, liquidity risk, and operational risk. The board of directors believes an effective risk management system will (1) timely identify the material risks that

the Company faces, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the board or Audit Committee, (3) implement appropriate and responsive risk management strategies consistent with the Company's risk profile, and (4) integrate risk management into Company decision-making.

The board has designated the Audit Committee to take the lead in overseeing risk management and the Audit Committee discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

The board encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. The board also works, with the input of the Company's executive officers, to assess and analyze the most likely areas of future risk for the Company.

The Director Nomination Process

The Nominating Committee considers nominees from all sources, including stockholders. Stockholder nominees are evaluated by the same criteria used to evaluate potential nominees from other sources. The board of directors will consist of a majority of directors who qualify as independent directors within the meaning of the listing standards of the NYSE Amex, as the same may be amended from time to time. Minimally, nominees should have a reputation for integrity, honesty and adherence to high ethical standards. They should have demonstrated business experience and the ability to exercise sound judgment in matters related to the current and long-term objectives of the Company, and should be willing and able to contribute positively to the decision-making process of the Company. In addition, they should not have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of the Company or to fulfill the responsibilities of a director.

Although the Company does not have a policy regarding diversity, the value of diversity on the board is considered and the particular or unique needs of the Company shall be taken into account at the time a nominee is being considered. The Nominating Committee seeks a broad range of perspectives and considers both the personal characteristics (gender, ethnicity, age) and experience (industry, professional, public service) of directors and prospective nominees to the board. Additionally, the Nominating Committee considers the respective qualifications needed for directors serving on various committees of the board, and serving as chairs of such committees, should be taken into consideration. In recruiting and evaluating nominees, the Nominating Committee considers the appropriate mix of skills and experience and background needed for members of the board and for members of each of the board's committees, so that the board and each committee has the necessary resources to perform its respective functions effectively. The Nominating Committee also believes that a prospective nominee should be willing to limit the number of other corporate boards on which he or she serves so that the proposed director is able to devote adequate time to his or her duties to the Company, including preparing for and attending board and committee meetings. In addition, the re-nomination of existing directors is not viewed as automatic, but based on continuing qualification under the criteria set forth above. In addition, the Nominating Committee will consider the existing director's performance on the board and on any committee on which such director serves, which will include attendance at board and committee meetings.

Director Nominees by Stockholders. The Company's bylaws provide that stockholders may nominate directors for consideration at an annual meeting provided they comply with the notice procedures in the bylaws, which are described under *Stockholder Proposals - Proposals to be Submitted for Annual Meeting* and is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such meeting. Any such notice shall also include the information regarding the stockholder making the nomination and the nominee required by the Company's bylaws. Nominations made by stockholders in this manner are eligible to be presented by the stockholder at the meeting, but such nominees will not have been considered by the Nominating Committee as a nominee to be potentially supported by the Company.

EXECUTIVE COMPENSATION
Summary Compensation Table

The following table shows information regarding the compensation earned during the fiscal years ended December 31, 2009 and 2008 by our Chief Executive Officer and two of our most highly compensated executive officers who were employed by us as of December 31, 2009 and whose total compensation exceeded \$100,000 during that fiscal year (the named executive officers).

Name	Year	Salary	Bonus	Nonequity Incentive		All other Compensation	Total
				Option Awards (1)	Plan Compensation (2)		
Adam S. Berger Chief Executive Officer	2009	\$ 362,250	\$ 51,750(4)	\$ 525,476	\$ 355,058	\$ 23,660(5)	\$ 1,318,194
Gregory R. Liberman President and Chief Operating Officer	2008	\$ 356,125	\$ 51,750(4)	\$ 787,664	\$ 225,000	\$ 21,512(6)	\$ 1,442,051
Brett A. Zane Chief Financial Officer	2009	\$ 287,500	\$ 0	\$ 178,560	\$ 129,721	\$ 16,500	\$ 612,281
	2008	\$ 287,500	\$ 0	\$ 379,903	\$ 75,000	\$ 26,557(7)	\$ 768,960
	2009	\$ 255,008	\$ 0	\$ 95,685	\$ 150,721	\$ 16,500	\$ 517,914
	2008	\$ 255,000	\$ 0	\$ 111,376	\$ 98,245	\$ 15,500	\$ 480,121

- (1) The amounts disclosed reflect the full grant date fair values in accordance with FASB ASC Topic 718. For assumptions used in calculation of option awards, see Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. See the introductory paragraphs below under Outstanding Equity Awards at Fiscal Year-End for a description of the Company's 2009 one-time stock option repricing and exchange program.
- (2) Our Compensation Committee establishes an amount of money each year from which bonuses can be distributed to the executive officers of the Company. This amount is based on the Company's revenue, contribution from certain key segments and adjusted earnings before interest, depreciation and amortization (also known as Adjusted EBITDA). Bonus amounts for each executive officer are based on such amount as well as individual management objectives.
- (3) Unless otherwise noted, represents 401(k) plan and nonqualified deferred compensation plan employer contributions.
- (4) Represents an annual retention bonus.
- (5)