

SPARK NETWORKS INC  
Form 424B5  
May 02, 2013  
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As filed pursuant to Rule 424(b)(5)  
Registration No. 333-187141

Prospectus Supplement

(to prospectus dated April 23, 2013)

**5,710,000 Shares**

## **Spark Networks, Inc.**

### **Common Stock**

We are offering 2,140,000 shares of our common stock and the selling stockholder named herein is offering 3,570,000 shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholder.

Our common stock is listed on the NYSE MKT under the trading symbol LOV. On May 1, 2013, the last reported sale price of our common stock on the NYSE MKT was \$6.56 per share.

**Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-13 of this prospectus supplement and page 4 of the accompanying prospectus for a discussion of material factors you should carefully consider before deciding to invest in shares of our common stock.**

Per Share

Total

## Edgar Filing: SPARK NETWORKS INC - Form 424B5

|  |          |               |
|--|----------|---------------|
| Public offering price  | \$ 6.25  | \$ 35,687,500 |
| Underwriting discount <sup>(1)</sup>                           | \$ 0.375 | \$ 2,141,250  |
| Offering proceeds, before expenses, to us                      | \$ 5.875 | \$ 12,572,500 |
| Offering proceeds, before expenses, to the selling stockholder | \$ 5.875 | \$ 20,973,750 |

<sup>(1)</sup> See Underwriting beginning on page S-20 for information about total underwriting compensation.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The selling stockholder has granted the underwriters the option to purchase up to 856,500 additional shares of common stock on the same terms and conditions solely to cover over-allotments, if any. The underwriters can exercise this option at any time within 30 days after the offering. The underwriters expect to deliver the shares of common stock to investors on or about May 7, 2013.

**William Blair**

**Stifel**

## **Canaccord Genuity**

The date of this prospectus supplement is May 1, 2013

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

We are providing information to you about this offering in two parts. The first part consists of this prospectus supplement, which provides the specific details regarding this offering of shares of our common stock. The second part consists of the base prospectus dated April 23, 2013, included in our shelf registration statement on Form S-3 (No. 333-187141), which we are supplementing with the information contained in this prospectus supplement. Generally, when we refer to this prospectus, we are referring to both parts combined. Some of the information in the base prospectus may not necessarily apply to this offering.

Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock and other information you should know before investing in our common stock. The accompanying prospectus gives more general information, some of which may not apply to the shares of common stock offered by this prospectus supplement and the accompanying prospectus. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. If the information contained in this prospectus supplement or the accompanying prospectus differs or varies from the information contained in a document we have incorporated by reference, you should rely on the information in the most recent document.

Before you invest in our common stock, you should read the registration statement, of which this document forms a part, the base prospectus and this prospectus supplement, including the documents incorporated by reference herein that are described under the heading Incorporation by Reference. For further information, see the section of this prospectus supplement entitled Where You Can Find More Information.

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. For further information, see the section of this prospectus entitled Where You Can Find More Information. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus and any free writing prospectus is accurate as of any date other than the date on the front cover of the applicable document, or that any information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus, any free writing prospectus or any sale of a security.

Unless the context otherwise requires, the terms Company, we, us and our refer to Spark Networks, Inc., a Delaware corporation, and its subsidiaries.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The information contained in this prospectus supplement, the accompanying prospectus and the documents and information incorporated by reference therein include some statements that are not purely historical that are forward-looking statements involving substantial risks and uncertainties within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve substantial risks and uncertainties and include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future, including our financial condition and results of operations. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates, believes,

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continue, could, estimates, expects, intends, may, might, plans, possible, potential, predicts, projects, seeks, should, expressions, or the negatives of such terms, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this prospectus supplement are based on current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments actually affecting us will be those anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These important factors include the factors that we identify in this prospectus supplement, the accompanying prospectus as well as the other information we include in the documents we incorporate by reference. See **Risk Factors** beginning on page S-13 of this prospectus supplement and page 4 of the accompanying prospectus. You should read these factors and other cautionary statements made in this prospectus supplement and accompanying prospectus, and in the documents we incorporate by reference, as being applicable to all related forward-looking statements wherever they appear in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

## **MARKET, INDUSTRY AND OTHER DATA**

Unless otherwise indicated, information contained in this prospectus supplement concerning our industry and the market in which we operate, including our general expectations about our industry, market position, market opportunity and market size, is based on data from various sources, including internal data and estimates, independent industry publications, government publications, reports by market research firms or other published independent and publicly available sources, and on our assumptions based on that data and other similar sources. Industry publications and other published sources generally state that the information contained therein has been obtained from third-party sources believed to be reliable. Internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate, and management's understanding of industry conditions. Information about our brand awareness, number of marriages resulting from JDate.com and information from the State of Dating in America Report are based on surveys commissioned by us. Although we believe that these third-party sources are reliable, we do not guarantee the accuracy or completeness of this information and have not independently verified this information. Similarly, Company surveys, while believed by us to be reliable, have not been verified by any independent sources. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled **Risk Factors** beginning on page S-13 of this prospectus supplement and page 4 of the accompanying prospectus and elsewhere in this prospectus supplement and the accompanying prospectus. These and other factors could cause our future results to differ materially from those expressed in the estimates made by independent parties and by us.

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**SUMMARY**

*This summary highlights information contained or incorporated by reference in this prospectus supplement. It does not contain all the information you should consider before investing in shares of our common stock. Before deciding to invest in shares of our common stock, you should carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein by reference, including the Risk Factors beginning on page S-13 of this prospectus supplement and page 4 of the prospectus, our consolidated financial statements and the related notes, and other information that are incorporated by reference in this prospectus supplement.*

**About Spark Networks, Inc.**

***Our Business***

We are a leading niche-focused, global media company whose mission is to build and strengthen the communities we serve by developing iconic brands that enable individuals to engage and connect through common values, beliefs, traditions and cultural upbringings. Our Company currently consists of more than twenty different online destinations and is anchored by two category-leading brands, JDate.com ( JDate ) and ChristianMingle.com ( ChristianMingle ), the world's largest and most widely recognized Jewish and Christian online dating websites, respectively. Our revenue grew 27% to \$61.7 million for the year ended December 31, 2012, compared to \$48.5 million for the same period in 2011. The revenue growth was driven by a 101% increase in the revenue of our Christian Networks segment. As of December 31, 2012, we had generated nine consecutive quarters of sequential revenue growth and eight consecutive quarters of year-over-year revenue growth.

Our core properties are primarily online dating websites, accessible via desktop and mobile devices, which create vibrant networks by enabling single adults to meet, participate in a community and form relationships. Our online properties help create meaningful connections, many of which culminate in marriage, by attracting individuals with common core values and beliefs. These individuals connect with one another through the use of a variety of features, including detailed profiles, onsite email centers, real-time chat rooms, instant messaging services, suggested matches, interactive games and advanced searching tools. In our key markets, we further strengthen the power of our networks by providing relevant online media content, participating in and supporting community-focused offline events, and employing a team of community management professionals who interact on a daily basis with community leaders.

We believe that JDate has been the category leader for most of its sixteen-year life, generating contribution margins of approximately 90% over the past eleven years.<sup>(1)</sup> As a result of its leadership position, JDate is responsible for more Jewish marriages than all other online dating websites combined, according to a 2011 Company-commissioned survey which found 52% of Jewish people who met their spouses online met on JDate. Additionally, approximately 80% of JDate's traffic comes from direct navigation or organic search clicks, reflecting its high brand name recognition. Over the past three years, we have invested the excess cash flow generated from JDate and its sister websites (collectively Jewish Networks ) into our Christian Networks segment, primarily in the form of ChristianMingle. We believe ChristianMingle's target market in the U.S. exceeds that of JDate by more than 30 times. As a result of our investment in new products, community relationships and innovative marketing, brand awareness for ChristianMingle has grown to more than 70% among the general population and nearly 80% among Christian people. This investment has helped grow Christian Networks' average paying subscribers from 26,366 for 2010 to 146,267 for 2012, a compounded annual growth rate, ( CAGR ), of 136%, eclipsing the Jewish Networks' average paying subscriber count of 85,292 for 2012.

<sup>(1)</sup> Contribution is defined as revenue, net of credits and credit card chargebacks, less direct marketing. Contribution Margin is defined as Contribution divided by revenue, net of credits and credit card chargebacks.

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Membership on our online dating websites is free and allows registered members to create their own detailed profiles and access our searchable database of other members' profiles. On the majority of our websites, the ability to initiate most communication with other members requires the payment of a monthly subscription fee. We offer a variety of subscription plans with varying prices based upon subscription length and features. Subscriptions renew automatically until subscribers terminate them. We also receive incremental revenue from online advertising sales and offline events.

Our brands create and benefit from a powerful network effect. As more members join and more connections are made, our networks get stronger and more lasting relationships are formed. These successful relationships increase trust in, and recognition of, our brands. Increased brand trust and recognition drives new visitors to our communities, increases engagement among existing members and, in turn, grows our paying subscriber base. We believe that our network effect is strengthened by our deep ties with and support among community leaders. By providing guidance to us and helping build key community relationships, not only do community leaders help us improve our offerings, but they also refer new visitors to our websites, which increases our pool of potential members and subscribers, and further strengthens our brands. Our network effect has benefitted our Jewish Networks business, resulting in many recognized successes, including our rise to become the largest network of Jewish singles online, excellent brand name recognition, high subscriber lifetime values and low subscriber acquisition costs. We believe ChristianMingle has and will continue to experience similar success.

### ***Our Industry***

The internet has quickly grown to become a common medium for individuals to meet, interact, share and form relationships. According to data presented by Internet World Stats ([www.internetworldstats.com](http://www.internetworldstats.com)), the number of internet users worldwide has increased more than five times since 2000 to 2.4 billion in 2012. This trend of exponential growth will continue and, according to IDC, the percentage of individuals using the internet in the U.S. is expected to reach 87% by 2017.

The growing online population makes the internet an increasingly popular channel to find singles. According to comScore, as cited by IBISWorld Inc., 22.9 million internet users visited dating websites in January 2012. Moreover, the users of dating websites are forming more long-term romantic relationships from their online interactions. Online Dating Magazine reported there were more than 280,000 marriages in 2011 as a result of online dating, representing a compounded annual growth rate of approximately 24% since 2007. According to IBISWorld Inc., the dating services industry is expected to experience strong growth through 2018, reaching \$2.6 billion in annual revenues in that time. Online dating, mobile dating and singles events are expected to be strong drivers of growth and they are collectively anticipated to generate 77% of dating services revenues in 2013, according to IBISWorld Inc. IBISWorld Inc. believes that growth is expected to be strongest in niche dating networks, which experience higher membership growth rates than general dating websites.

Online advertising represents an additional revenue opportunity for us. According to eMarketer, Inc., online advertising in the United States is expected to grow from \$37.3 billion in 2012 to \$55.3 billion in 2016, a CAGR of 10.3%. As the online population grows, advertisers will continue to seek opportunities, through vertical ad networks and other means, to reach a highly targeted, engaged customer base that is more likely to take advantage of their internet advertisements. A 2009 study by comScore estimates that individuals reached by vertical ad networks are more engaged, spending at least 60% more time on a website than the average visitor. We believe there are opportunities for niche-focused online communities to expand into broader, vertical-focused content and services businesses, and further benefit from the growing digital media spend as they are able to deliver engaged and targeted audiences to advertisers.

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### ***Industry Drivers***

We expect several key drivers will generate positive momentum for the online dating industry, notably:

***Favorable Population Growth.*** Population growth, along with an increase in single adults, is a contributing factor to the expanding market opportunity. According to the 2011 U.S. Census, 44% of American adults over the age of 18 are unmarried and, per IBISWorld Inc., the number of divorced or never-married individuals is increasing annually. Furthermore, the median age at first marriage has never been higher, at 27 years for women and 29 years for men, according to Pew Research.

***Adoption of the Internet and Mobile Devices.*** In the U.S., 83% of the population uses the internet, according to IDC. Additionally, the number of mobile device users has grown by 30% per year on average over the past three years and is expected to grow by 10% per year on average over the next five years, according to IDC. With mobile devices, people can access online services wherever and whenever they want, meaning the continued proliferation of mobile devices extends both the reach and frequency of use of online businesses.

***Advances in Online Discovery and Communication Technology.*** Advancements in online discovery and communication technology improve the effectiveness and adoption of dating websites. As dating websites improve their search functionality and matching algorithms and communication technology, more members will find and communicate with appropriate matches that meet the member's criteria, leading to an enhanced customer experience and broader success.

***Increased Recognition of the Benefits of Online Dating.*** Online dating has further benefited from increased awareness of its success, with 87% of singles thinking online dating is a great way to meet people, according to the State of Dating in America Report.

***Growing Membership in Niche-oriented Websites.*** As competition increases among many general dating websites, one of the most important success factors, according to IBISWorld Inc., is the ability to develop niche markets. We believe many singles prefer to join websites that connect them with individuals who share common core values and beliefs, resulting in a higher long-term relationship success rate. As a result, many niche websites have been experiencing higher membership growth rates.

### ***Our Competitive Strengths***

The markets in which we operate are highly competitive and fragmented. Singles are able to connect with other singles through a variety of online and offline avenues. Some distinguishing characteristics of our niche-focused strategy include:

***Strength of the ChristianMingle and JDate Brands.*** We believe ChristianMingle and JDate, with their strong brand recognition, are valuable assets. ChristianMingle and JDate are the clear category leaders strengthening our network effect. We believe the size and strength of each of our key brands allow them to attract more individuals who share common core values and beliefs, and to more effectively market to and serve each of the Christian and Jewish communities.

***Strong Community Ties.*** We believe people looking for serious relationships are more likely to seek connections with individuals who share common core values and beliefs. As a result, the foundation of our strategy is based upon targeting and building strong ties to specific religious, ethnic,



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geographic and special interest communities. In order to strengthen our community relationships, we have formed connections with many community leaders and have worked with them on our advisory boards to assure we understand the needs of our users. Furthermore, as we expand our online media content websites, we believe we will continue to strengthen our brands and build greater trust in the communities we serve. We believe our strong ties with niche communities encourage greater word-of-mouth recognition and consumer loyalty relative to non-targeted communities. These increases in our brand recognition and trust drive more traffic to our websites and convert more members to subscribers.

***Niche-targeted Marketing Expertise.*** We believe our sixteen-year history in the niche online dating business provides us with many key learnings to optimize our marketing spend. Our marketing strategy leverages our expertise in building community trust, as well as insights from proprietary marketing tools, to find the most efficient marketing channels for targeting niche communities. As a result, we believe that we are not required to spend as much to acquire new users compared to other websites.

***Attractive User Demographics.*** Advertisers continue to seek opportunities to reach a highly targeted, engaged customer base that is more likely to take advantage of their internet advertisements. We believe our focus on niche communities combined with our robust database, which provides many insights into our users, enables advertisers to target desirable consumer segments. Furthermore, we believe our members are heavily engaged with our websites, which provides further incentive for advertisers to target our members and achieve a higher ROI on their advertising spend.

***Customer Service Focus.*** Our multi-lingual call centers and email support teams monitor our websites for fraudulent activity, review profiles for consistency with their respective community standards and assist members with completing personal profiles. We believe that higher quality profiles lead to a better user experience, which increases the number and percentage of members who become and remain paying subscribers.

### ***Our Business Strategy***

We believe our business strategies will fuel our network effect, creating strong barriers to entry and increasing our conversion rates. We intend to grow our revenue by continuing to:

***Build and Strengthen Communities.*** Our mission is to build and strengthen the communities we serve. We believe that by continuing to build strong community relationships, we will be able to offer the most relevant content and services to all individuals in the communities in which we operate. As a result, we believe we can both expand our user base and further extend relationships with our current members. Core to building our foundation in the communities we serve is proactively establishing and enhancing long-lasting and mutually beneficial relationships with the community. We will continue to seek out, nurture and promote those relationships to demonstrate the value of our properties as leading destinations for individuals with common core values and beliefs to interact online. We also continue to invest in our community management program to expand our offline presence.

***Drive Traffic to Websites.*** We believe there are opportunities to drive additional traffic to and awareness of our websites, primarily through:

*Integrated and targeted marketing.* We believe targeting potential members and subscribers with consistent and compelling marketing messages through a broad mix of marketing channels will

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be effective in driving more traffic to our websites. We intend to use a variety of channels to build our brands and increase our base of visitors, members and subscribers, including online and offline advertising, customer relationship management tools, public relations, promotional alliances, sponsorships and special events. When evaluating our marketing mix, we use our proprietary marketing tools to find the most effective marketing channels to grow our business.

*Cross-promotion of services to affinity groups.* Our large base of members with rich profiles provides us with a significant amount of consumer data upon which to evaluate opportunities to cross-promote relevant products and services to our members.

***Increase Conversion Rates.*** We believe another growth opportunity lies in our ability to improve conversion rates both from visitors to members and members to paying subscribers on our dating websites. We aim to improve those rates in a variety of different ways, including:

*Enhanced member communications.* We believe increasing member communications is a key component to growing our business. We continue to focus on improving and enhancing our website functionality and features to encourage communications between members. Most of these communications require members to become paying subscribers. We will also continue to inform members of new features and functionality to increase the number of visitors to our websites who become paying subscribers.

*Improved discovery tools.* We believe the more successful members are in finding matches on our websites, the more likely they will want to communicate with those members and to refer other members of their community to our websites. We intend to continue to enhance the quality of our searching and matching functionality. Because members must generally become paying subscribers to freely communicate with other members, we believe search and match are key components of converting members to subscribers.

*Strong customer service.* Each time a member or a potential member contacts our customer service center by email or phone, he or she represents a potential new paying subscriber. By training our customer service representatives on upselling opportunities, we believe they will continue to be successful in keeping customer satisfaction high and selling our services.

***Create Additional Content and Services.*** Continuing to build and expand relevant, targeted content websites has the potential to allow us to get more ingrained within our target communities. We believe that enhancing existing and providing additional content and services will attract new members, improve the overall experience on our websites and strengthen the communities we serve.

***Increase Advertising Sales.*** Between 2011 and 2012, advertising revenue on our websites increased 60%. We believe there is an opportunity to generate additional advertising revenue on our dating and other content websites. Given the strong growth of our niche, community-based websites, we remain strongly positioned to gain from the growing digital media spend as we are able to deliver an engaged and targeted audience to advertisers. We expect advertisers will continue to seek highly targeted environments, such as ours, to complement their brands and reach niche consumers. In addition, we are able to offer advertisers not only online advertising, but also an offline presence at our various parties and events around the country.

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***Our Company History and Information***

Spark Networks, Inc. was incorporated in Delaware in April 2007. Prior to 2007, our Company was a public limited company incorporated under the laws of England and Wales until we completed a reorganization to become a Delaware corporation.

***Office Location***

Our principal executive offices are located at 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211. Our telephone number is (323) 658-3000. Our website is located at <http://www.spark.net>. Information contained on, or that can be accessed through, our website is not part of this prospectus supplement, and investors should not rely on any such information in deciding whether to purchase our common stock.

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**THE OFFERING**

|   |  |
|---|--|
| Issuer  | Spark Networks, Inc.   |
| Common stock offered by us                      | 2,140,000 shares of common stock.  |
| Common stock offered by the selling stockholder | 3,570,000 shares of common stock.  |
| Over-allotment option                           | The selling stockholder has granted the underwriters the option to purchase up to 856,500 additional shares of common stock on the same terms and conditions solely to cover over-allotments, if any. The underwriters can exercise this option at any time within 30 days after the offering.   |
| Common stock outstanding after this offering    | 23,137,489 shares of common stock.   |
| Offering price                                  | \$6.25 per share.  |
| Exchange listing                                | Our common stock is listed on the NYSE MKT under the trading symbol LOV.   |
| Use of proceeds                                 | We will receive net proceeds from this offering of approximately \$12.4 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.<br><br>We will not receive any proceeds from the sale of shares by the selling stockholder.<br><br>We currently intend to use the net proceeds from the sale of shares of our common stock under this prospectus supplement for general corporate purposes, which may include working capital, sales and marketing activities and general and administrative matters. We may also use a portion of the net proceeds to acquire or invest in complementary businesses, technologies, or other intellectual property, although we have no present commitments or agreements to do so. We will retain broad discretion over the use of the net proceeds from this offering. Pending the application of the net proceeds, we intend to place the net proceeds in a non-interest bearing bank account and the net proceeds may be invested in short-term, investment-grade securities. See Use of Proceeds on page S-15 of this prospectus supplement. |

The total number of shares of common stock outstanding after this offering is based on 20,997,489 shares outstanding as of March 31, 2013, and excludes:

3,858,805 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2013 with a weighted-average exercise price of \$3.96 per share; and

2,720,588 shares of common stock reserved for future issuance under our 2007 Omnibus Incentive Plan as of March 31, 2013.

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Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional shares from the selling stockholder and no exercise of outstanding options since March 31, 2013.

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The following summary financial information as of and for the three years ended December 31, 2012 is derived from the audited consolidated financial statements of Spark Networks, Inc. The financial data for the three-month periods ended March 31, 2013 and 2012 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for these periods.

Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2013. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference herein.

The following table sets forth selected consolidated statements of operations.

| <i>(in thousands, except per share data)</i>                       | Years Ended December 31, |           |           | Three Months Ended March 31, |           |
|--|--------------------------|-----------|-----------|------------------------------|-----------|
|  | 2010                     | 2011      | 2012      | 2012                         | 2013      |
|  |                          |           |           | (unaudited)                  |           |
| Revenue  | \$ 40,851                | \$ 48,493 | \$ 61,743 | \$ 14,555                    | \$ 17,263 |
| Cost and expenses:   |                          |           |           |                              |           |
| Cost of revenue (exclusive of depreciation shown separately below) | 13,749                   | 28,955    | 49,216    | 11,848                       | 13,657    |
| Sales and marketing  | 3,496                    | 3,722     | 3,991     | 973                          | 1,262     |
| Customer service   | 1,601                    | 1,980     | 2,534     | 613                          | 703       |
| Technical operations   | 1,232                    | 1,367     | 1,363     | 350                          | 332       |
| Development  | 3,092                    | 2,710     | 3,346     | 846                          | 791       |
| General and administrative   | 9,782                    | 8,068     | 8,787     | 2,238                        | 2,934     |
| Depreciation   | 962                      | 1,320     | 1,673     | 403                          | 453       |
| Amortization of intangible assets                                  | 421                      | 370       | 13        | 13                           |           |
| Impairment of long-lived assets and other assets                   | 308                      | 1,145     |           |                              |           |
| Total cost and expenses  | 34,643                   | 49,637    | 70,923    | 17,284                       | 20,132    |
| Operating (loss) income  | 6,208                    | (1,144)   | (9,180)   | (2,729)                      | (2,869)   |
| Interest (income) expense and other, net                           | (54)                     | 162       | (238)     | (127)                        | (53)      |
| (Loss) income before income taxes                                  | 6,262                    | (1,306)   | (8,942)   | (2,602)                      |           |