BANK OF NOVA SCOTIA /
Form SUPPL
March 31, 2010

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to General Instruction II.K. of Form F-9
File No. 333-164300

Subject to Completion. Dated March 31, 2010

Preliminary Prospectus Supplement
(to the Short Form Base Shelf Prospectus Dated January 11, 2010)

THE BANK OF NOVA SCOTIA

US$ Senior Notes due

The US$ Senior Notes due (the Notes) offered by this prospectus supplement (this Prospectus Supplement) will bear interest at a rate of from , 2010 and will mature on . Interest on the Notes will be payable in arrears on and of each year, commencing , 2010 and continuing until . The Notes will be unsecured and unsubordinated obligations of The Bank of Nova Scotia (the Bank) and will constitute deposit liabilities of the Bank for purposes of the *Bank Act* (Canada) (the Bank Act).

Investing in the Notes involves risks. See the Risk Factors sections of the accompanying short form base shelf prospectus of the Bank dated January 11, 2010 (the Prospectus) and this Prospectus Supplement.

The Bank is permitted, under a multi-jurisdictional disclosure system adopted by the United States and Canada, to prepare this Prospectus Supplement and the accompanying Prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Notes described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, Canada or the United States may not be described fully herein.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Bank is a Canadian bank, that many of its officers and directors, and some of the experts named in this Prospectus Supplement, may be residents of Canada and that all or a substantial portion of the assets of the Bank and such persons may be located outside the United States.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities regulator has approved or disapproved of the Notes, or determined if this Prospectus Supplement or the accompanying Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to the Public[(1)]	Underwriters Fees	Net Proceeds to the Bank[(1)(2)]
Per Note	%	%	%
Total	US$	US$	US$

(1) Plus accrued interest from , 2010 to the date of delivery. Accrued interest must be paid by

the purchasers.

(2) Before deduction of expenses of issue estimated at US$.

The underwriters, as principals, conditionally offer the Notes, subject to prior sale, if, as and when issued by the Bank, and accepted by the underwriters in accordance with the conditions contained in the underwriting agreement referred to under Plan of Distribution in this Prospectus Supplement. The underwriters may sell Notes for less than the initial offering price in circumstances described under Plan of Distribution. In addition, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Notes at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See Plan of Distribution.

There is no market through which the Notes may be sold and purchasers may not be able to resell the Notes purchased under this Prospectus Supplement. This may affect the pricing of the Notes in the secondary market, the transparency and availability of their trading prices, the liquidity of the Notes and the extent of issuer regulation. See the Risk Factors section in this Prospectus Supplement.

The Notes offered hereby have not been qualified for sale under the securities laws of any province or territory of Canada (other than the Province of Ontario) and will not be offered or sold, directly or indirectly, in Canada or to any resident of Canada without the consent of the Bank. See Plan of Distribution.

The Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* (Canada) or by the United States Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

Unless otherwise indicated, all dollar amounts appearing in this Prospectus Supplement are stated in Canadian dollars.

The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

The Notes will be ready for delivery through the book-entry facilities of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank, S.A./N.V. and Clearstream Banking, société anonyme, on or about , 2010.

Joint Book-Running Managers

BofA Merrill Lynch **Citi** **Morgan Stanley** **Scotia Capital**

Co-Managers

Barclays Capital **HSBC**

, 2010

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts, the first part is this Prospectus Supplement, which describes the specific terms of this offering. The second part, the accompanying Prospectus, gives more general information, some of which may not apply to this offering. If information in this Prospectus Supplement is inconsistent with the accompanying Prospectus, investors should rely on the information in this Prospectus Supplement. This Prospectus Supplement, the accompanying Prospectus and the documents incorporated by reference into each of them include important information about the Bank, the Notes being offered and other information investors should know before investing in the Notes.

FORWARD-LOOKING STATEMENTS

The Bank s public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the SEC, or in other communications. All such statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Bank s objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank s businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as believe, expect, anticipate, intent, estimate, plan, may increase, may fluctuate, expressions of future or conditional verbs, such as will, should, would and could.

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond the Bank s control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to the Bank and its affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to the Bank s credit ratings; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and reputational risks; the risk that the Bank s risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank s ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank s ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank s ability to attract and retain key executives; reliance on third parties to provide components of the Bank s business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank s anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank s financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank s actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion in the Bank s Annual MD&A (as defined below), which is incorporated by reference herein and which outlines in detail certain key factors that may affect the Bank s future

results.

The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors,

other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

AVAILABLE INFORMATION

In addition to the continuous disclosure obligations under the securities laws of the provinces and territories of Canada, the Bank is subject to the informational reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports and other information with the SEC. Under a multi-jurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of the provincial and territorial securities regulatory authorities of Canada, which requirements are different from those of the United States. As a foreign private issuer, the Bank is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and the Bank s officers and directors are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. The Bank s reports and other information filed with or furnished to the SEC since November 2000 are available, and reports and other information filed or furnished in the future with or to the SEC will be available, from the SEC s Electronic Document Gathering and Retrieval System (http://www.sec.gov), which is commonly known by the acronym EDGAR, as well as from commercial document retrieval services. Any document the Bank files with or furnishes to the SEC may be inspected and, by paying a fee, copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Prospective investors may call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities. The Bank s common shares are listed on the New York Stock Exchange and reports and other information concerning the Bank may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Prospectus, solely for the purpose of the Notes offered by this Prospectus Supplement. Other documents are also incorporated or deemed to be incorporated by reference into the accompanying Prospectus and reference should be made to the Prospectus for full particulars. The following documents have been filed with the Ontario Securities Commission and filed with or furnished to the SEC and are specifically incorporated by reference into, and form an integral part of, this Prospectus Supplement:

(a) the Bank s annual information form (the Annual Information Form) dated December 8, 2009, for the year ended October 31, 2009;

(b) the Bank s management proxy circular attached to the Notice of Meeting dated February 9, 2010, prepared in connection with the Bank s annual meeting of shareholders to be held on April 8, 2010;

(c) the Bank s consolidated financial statements for the years ended October 31, 2009 and 2008, together with the auditors report thereon;

(d) the Bank s management s discussion and analysis of financial condition and results of operations for the year ended October 31, 2009 (the Annual MD&A);

(e) the Bank s consolidated interim financial statements (unaudited) for the three months ended January 31, 2010; and

(f) the Bank s management s discussion and analysis of financial condition and results of operations for the three months ended January 31, 2010.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or the accompanying Prospectus or contemplated in this Prospectus Supplement or the accompanying Prospectus will be deemed to be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The

modifying

or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed to be an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement.

PRESENTATION OF FINANCIAL INFORMATION

The Bank prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP), which differ in certain respects from U.S. GAAP. For a discussion of significant differences between Canadian and U.S. GAAP and a reconciliation of the consolidated balance sheet and statement of income, you should read the section titled Note 29: Reconciliation of Canadian and United States Generally Accepted Accounting Principles (GAAP) in the Bank s Annual MD&A on Form 40-F for the fiscal year ended October 31, 2009.

Additionally, the Bank publishes its consolidated financial statements in Canadian dollars. In this Prospectus Supplement, currency amounts are stated in Canadian dollars, unless specified otherwise. References to $, Cdn$ and dollars are to Canadian dollars, and references to US$ are to U.S. dollars.

RISK FACTORS

An investment in Notes of the Bank is subject to certain risks. Before deciding whether to invest in the Notes, investors should carefully consider the risks set out herein and incorporated by reference in this Prospectus Supplement (including subsequently filed documents incorporated by reference herein).

The value of the Notes will be affected by the general creditworthiness of the Bank. Prospective investors should consider the categories of risks identified and discussed in the Bank s Annual Information Form and the Annual MD&A, each of which is incorporated herein by reference, including credit risk, market risk, liquidity risk, operational risk, reputational risk and environmental risk.

The Notes will be unsecured and unsubordinated obligations of the Bank and will rank on a parity with all of the Bank s other senior unsecured debt including deposit liabilities, other than certain governmental claims in accordance with applicable law. Except to the extent regulatory requirements affect the Bank s decisions to issue more senior debt, there is no limit on the Bank s ability to incur additional senior debt.

Real or anticipated changes in credit ratings on the Bank s deposit liabilities may affect the market value of the Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank s liquidity, business, financial condition or results of operations and, therefore, the Bank s ability to make payments on the Notes could be adversely affected.

The value of the Notes may be affected by market value fluctuations resulting from factors which influence the Bank s operations, including regulatory developments, competition and global market activity.

Prevailing interest rates will affect the market value of the Notes. Assuming all other factors remain unchanged, the market value of the Notes will decline as prevailing interest rates for similar debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

The Notes are a new issue of securities and there may be no market through which the Notes may be sold and purchasers may therefore be unable to resell such Notes. In addition, the Bank does not intend to apply for listing or quotation of the Notes on any securities exchange or automated quotation system. These factors may affect the pricing of the Notes in any secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation. Reference is made to Risk Management Liquidity Risk in the Annual MD&A for a discussion of the Bank s liquidity risk.

There can be no assurance that an active trading market will develop for the Notes after the offering, or if developed, that such a market will be sustained at the offering price of the Notes. While certain of the underwriters intend to make a market in the Notes, the underwriters will not be obligated to do so and may stop their market-making at any time. In addition, any market-making activities will be subject to limits of the U.S. Securities Act of 1933, as amended (the Securities Act), and the Exchange Act.

If any of the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance, prospects and other factors. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

The senior debt indenture governing the Notes does not contain any financial covenants and contains only limited restrictive covenants. In addition, the senior debt indenture will not limit the Bank s or its subsidiaries ability to incur additional indebtedness, issue or repurchase securities, pay dividends or engage in transactions with affiliates. The Bank s ability to incur additional indebtedness and use its funds for any purpose in the Bank s discretion may increase the risk that the Bank will be unable to service its debt, including paying its obligations under the Notes.

The Notes and the related senior debt indenture will be governed by, and construed in accordance with, the laws of the State of New York (other than certain limited provisions that will be governed by the law of the Province of Ontario and applicable laws of Canada). Generally, in an action commenced in a Canadian court for the enforcement of the senior debt indenture or the Notes, a plaintiff will be required to prove those non-Canadian laws as a matter of fact by the evidence of persons who are experts in those laws.

DETAILS OF THE OFFERING

The following description of the terms of the Notes supplements, and to the extent inconsistent therewith replaces, the description set forth under the heading Description of the Debt Securities in the Prospectus and should be read in conjunction with such description. As used in this description, the terms the Bank, we, us and our refer only to The Bank of Nova Scotia and not to any of its subsidiaries. All capitalized terms used under this heading Details of the Offering that are not defined herein have the meanings ascribed thereto in the Prospectus.

General

The following is a description of the terms of the US$ Senior Notes due offered by this Prospectus Supplement (which are referred to in this Prospectus Supplement as the Notes and in the Prospectus as Debt Securities). The Notes are part of the Debt Securities registered by us with the SEC and qualified for distribution in the Province of Ontario and which are to be issued on terms that will be determined at the time of sale. The Notes will constitute our unsecured and unsubordinated obligations and will constitute deposit liabilities of the Bank for purposes of the Bank Act and will rank on a parity with all of our other senior unsecured debt including deposit liabilities, other than certain governmental claims in accordance with applicable law, and prior to all of our subordinated debt. The Notes are to be issued under a senior debt indenture among us, Computershare Trust Company, N.A., as United States trustee, and Computershare Trust Company of Canada, as Canadian trustee, which is more fully described in the Prospectus under the heading Description of the Debt Securities.

Payment of the principal and interest on the Notes will be made is U.S. dollars. We will pay interest, principal and any other money due on the Notes at the corporate trust office of Computershare Trust Company, N.A., 350 Indiana St., Suite 750, Golden, Colorado 80401, or such other office as may be agreed upon. Holders of Notes must make arrangements to have their payments picked up at or wired from that office or such other office as may be agreed upon. We may also choose to pay interest by mailing checks.

The Notes are not entitled to the benefits of any sinking fund.

The provisions of the senior debt indenture relating to defeasance and covenant defeasance (described under the heading Description of the Debt Securities Defeasance in the Prospectus) will apply to the Notes.

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The Notes will be issued in denominations of US$2,000 and integral multiples of US$1,000 in excess of such amount. Upon issuance, the Notes will be represented by one or more fully registered global notes. Each global note will be deposited with, or on behalf of, The Depository Trust Company, as depositary. You may elect to hold interests in the global notes through either the depositary (in the United States), Clearstream or Euroclear, or indirectly through organizations that are participants in such systems. See Legal Ownership and Book-Entry Issuance in the Prospectus.

Maturity

The Notes will mature on .

Interest

The Notes will bear interest from and including , 2010 at a rate of . We will pay interest in arrears on and of each year, beginning , 2010 (each, an Interest Payment Date), and on the maturity date. Interest will be payable on each Interest Payment Date to the persons in whose name the Notes are registered at the close of business on the preceding or , whether or not a business day. However, we will pay interest on the maturity date to the same persons to whom the principal will be payable. If any Interest Payment Date or the maturity date falls on a day that is not a business day, we will postpone the making of such interest payment to the next succeeding business day (and no interest will be paid in respect of the delay). A business day means any day other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York, New York or Toronto, Ontario.

Interest on the Notes will accrue from and including , 2010 to but excluding the first Interest Payment Date and then from and including each Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Interest Payment Date or the maturity date, as the case may be.

Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment of Additional Amounts

All payments made by or on behalf of the Bank under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of the Government of Canada or any province or territory thereof or by any authority or agency therein or thereof having power to tax (hereafter Canadian taxes), unless the Bank is required to withhold or deduct Canadian taxes by law or by the interpretation or administration thereof. If the Bank is so required to withhold or deduct any amount for or on account of Canadian taxes from any payment made under or with respect to the Notes, we will pay to each holder of Notes as additional interest such additional amounts (additional amounts) as may be necessary so that the net amount received by each such holder after such withholding or deduction (and after deducting any Canadian taxes on such additional amounts) will not be less than the amount such holder would have received if such Canadian taxes had not been withheld or deducted, except as described below. However, no additional amounts will be payable with respect to a payment made to a holder (such holder, an excluded holder) in respect of the beneficial owner thereof:

with which the Bank does not deal at arm s length (for the purposes of the *Income Tax Act* (Canada)) at the time of the making of such payment;

which is subject to such Canadian taxes by reason of the holder being a resident, domiciliary or national of, engaged in business or maintaining a permanent establishment or other physical presence in or otherwise having some connection with Canada or any province or territory thereof otherwise than by the mere holding of the Notes or the receipt of payments thereunder;

which is subject to such Canadian taxes by reason of the holder s failure to comply with any certification, identification, documentation or other reporting requirements if compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or a reduction in the rate of deduction or withholding of, such Canadian taxes (provided that the Bank

advises the Trustees and the holders of the Notes then outstanding of any change in such requirements);

with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge; or

which is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that the Canadian taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Notes.

The Bank will also:

make such withholding or deduction; and

remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

The Bank will furnish to the holders of the Notes, within 60 days after the date the payment of any Canadian taxes is due pursuant to applicable law, certified copies of tax receipts or other documents evidencing such payment by such person.

The Bank will indemnify and hold harmless each holder of Notes (other than an excluded holder) from and against, and upon written request reimburse each such holder for the amount (excluding any additional amounts that have previously been paid by the Bank with respect thereto) of:

any Canadian taxes so levied or imposed and paid by such holder as a result of payments made by or on behalf of the Bank under or with respect to the Notes;

any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; and

any Canadian taxes imposed with respect to any reimbursement under the preceding two bullet points, but excluding any such Canadian taxes on such holder s net income.

In any event, no additional amounts or indemnity amounts will be payable under the provisions described above in respect of any Note in excess of the additional amounts and the indemnity amounts which would be required if, at all relevant times, the holder of such Note were a resident of the United States for purposes of and was entitled to the benefits of the Canada-U.S. Income Tax Convention (1980), as amended, including any protocols thereto. As a result of the limitation on the payment of additional amounts and indemnity amounts discussed in the preceding sentence, the additional amounts or indemnity amounts received by certain holders of Notes may be less than the amount of Canadian taxes withheld or deducted or the amount of Canadian taxes (and related amounts) levied or imposed giving rise to the obligation to pay the indemnity amounts, as the case may be, and, accordingly, the net amount received by such holders of Notes will be less than the amount such holders would have received had there been no such withholding or deduction in respect of Canadian taxes or had such Canadian taxes (and related amounts) not been levied or imposed.

Wherever in the senior debt indenture governing the terms of the Notes there is mentioned, in any context, the payment of principal, interest, if any, or any other amount payable under or with respect to a Note, such mention shall be deemed to include mention of the payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

In the event of the occurrence of any transaction or event resulting in a successor to the Bank, all references to Canada in the preceding paragraphs of this subsection shall be deemed to be references to the jurisdiction of organization of the successor entity.

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Tax Redemption

The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price equal to the principal amount thereof together with accrued and unpaid interest to the date fixed for redemption, upon the giving of a notice as described below, if:

as a result of any change (including any announced prospective change) in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada (or the jurisdiction of organization of the successor to the Bank) or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the date of this Prospectus Supplement (or, in the case of a successor to the Bank, after the date of succession), and which in the written opinion to the Bank (or its successor) of legal counsel of recognized standing has resulted or will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes as described under Payment of Additional Amounts; or

on or after the date of this Prospectus Supplement (or, in the case of a successor to the Bank, after the date of succession), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada (or the jurisdiction of organization of the successor to the Bank) or any political subdivision or taxing authority thereof or therein, including any of those actions specified in the paragraph immediately above, whether or not such action was taken or decision was rendered with respect to the Bank (or its successor), or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Bank (or its successor) of legal counsel of recognized standing, will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to the Notes;

and, in any such case, the Bank (or its successor), in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it (or its successor).

In the event the Bank elects to redeem the Notes pursuant to the provisions set forth in the preceding paragraph, it shall deliver to the Trustees a certificate, signed by an authorized officer, stating (i) that the Bank is entitled to redeem such Notes pursuant to their terms and (ii) the principal amount of the Notes to be redeemed.

Notice of intention to redeem such Notes will be given to holders of the Notes not more than 45 nor less than 30 days prior to the date fixed for redemption and such notice will specify, among other things, the date fixed for redemption and the redemption price.

Further Issues

We may from time to time, without notice to or the consent of the registered holders of the Notes, create and issue further notes ranking *pari passu* with the Notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further notes or except for the first payment of interest following the issue date of such further notes) and so that such further notes may be consolidated and form a single series with the Notes and have the same terms as to status or otherwise as the Notes.

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CREDIT RATINGS

The following ratings have been assigned to the senior long-term debt and deposit liabilities of the Bank: Aa1 by Moody s Investors Service, Inc.; AA- by Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies (Canada) Corporation; AA- by Fitch Ratings; and AA by DBRS Limited.

Credit ratings are not recommendations to purchase, sell or hold a security as they do not comment on market price or suitability for a particular investor. Ratings may not reflect the potential impact of all risks on the value of securities. In addition, real or anticipated changes in the rating assigned to a security will generally affect the market value of that security. Ratings are subject to revision or withdrawal at any time by the rating agencies. Prospective purchasers of Notes should consult the relevant rating organization with respect to the interpretation and implications of the foregoing ratings.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain U.S. federal income tax considerations applicable to the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below) that purchases Notes in this offering and that holds Notes as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the Code). This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders in light of their particular circumstances, nor does it deal with U.S. Holders that are subject to special tax rules, such as dealers in securities or currencies, financial institutions, insurance companies, tax-exempt organizations, persons holding Notes as a part of a straddle, hedge, or conversion transaction or a synthetic security or other integrated transaction, U.S. expatriates, persons subject to the alternative minimum tax provisions of the Code and persons whose functional currency is not the U.S. dollar. This discussion does not cover any state, local, or non-U.S. tax consequences. This discussion is based upon the provisions of the Code and U.S. Treasury regulations, rulings and judicial decisions under the Code, all as currently in effect as of the date hereof, all of which may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences that are different from those discussed below. This summary is not binding on the U.S. Internal Revenue Service (the IRS) or the courts.

For purposes of this discussion, a U.S. Holder is a beneficial owner of a Note that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof or therein, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (A) if it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) has made a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds a Note, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A partnership or a partner of a partnership holding a Note should consult its own tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

This summary is for general information purposes only, and is not intended to be, and should not be construed to be, legal or tax advice to any particular holder. Prospective purchasers of the Notes are urged to consult their own tax advisors with regard to the application of the U.S. federal income tax laws, and the application of the laws of any state, local or non-U.S. taxing jurisdiction, as well as any non-income tax laws, to their particular situations.

Interest on the Notes

Interest on a Note generally will be includable in income by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with such U.S. Holder s regular method of accounting for U.S. federal income tax purposes. For U.S. foreign tax credit purposes, interest income on a Note will constitute foreign source income and will be considered passive category income or, in certain circumstances, general category income. The rules governing the

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U.S. foreign tax credit are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of U.S. foreign tax credits under their particular circumstances.

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on such sale, exchange or other disposition (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as described above under *Interest on the Notes*) and the U.S. Holder s adjusted tax basis in the Note. A U.S. Holder s tax basis in a Note generally will be its cost. Such gain or loss will constitute a long-term capital gain or loss if the Note has been held by the U.S. Holder for more than one year. Long-term capital gains of non-corporate taxpayers (including individuals) may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. For U.S. foreign tax credit purposes, such gain or loss will constitute U.S. source income.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to a U.S. Holder with respect to payments of principal and interest on a Note and to payments of the proceeds of a sale or other disposition, unless such a U.S. Holder is an exempt recipient (such as a corporation). Backup withholding may apply to such payments if a U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against the U.S. Holder s U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who, at all relevant times, for purposes of the application of the *Income Tax Act* (Canada) and the Income Tax Regulations (collectively, the Act) is not, and is not deemed to be, resident in Canada, deals at arm s length with the Bank and with any transferee resident (or deemed to be resident) in Canada to whom the purchaser disposes of the Notes and does not use or hold, and is not deemed to use or hold, the Notes in a business carried on in Canada (a Non-Resident Holder). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada and elsewhere.

This summary is based upon the current provisions of the Act and an understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency prior to the date hereof. This summary takes into account all specific proposals to amend the Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the Proposals) and assumes that all Proposals will be enacted in the form proposed. However, no assurance can be given that the Proposals will be enacted as proposed or at all. This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial action, nor does it take into account any provincial, territorial or foreign income tax considerations, which may differ from those discussed herein.

This summary is of a general nature only and is not intended to be, legal or tax advice to any particular purchaser. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.

No Canadian withholding tax will apply to interest or principal paid or credited to a Non-Resident Holder by the Bank or to proceeds received by a Non-Resident Holder on the disposition of a Debenture, including on a redemption, payment on maturity, repurchase or purchase for cancellation.

No other tax on income or gains will be payable by a Non-Resident Holder on interest or principal, or on proceeds received by a holder on the disposition of a Debenture, including on a redemption, payment on maturity, repurchase or purchase for cancellation.

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PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this Prospectus Supplement, the underwriters listed in the table below have severally agreed to purchase, and we have agreed to sell to them, the principal amount of the Notes set forth opposite each underwriter s name below.

Underwriter	Principal Amount of Notes
Banc of America Securities LLC	US$
Citigroup Global Markets Inc.	
Morgan Stanley & Co. Incorporated	
Scotia Capital (USA) Inc.	
Barclays Capital Inc.	
HSBC Securities (USA) Inc.	
Total	US$

The Notes are being offered by the underwriters subject to approval of legal matters by counsel for the underwriters and other conditions. The underwriting agreement provides that the underwriters are obligated to purchase all of the Notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of the non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose initially to offer the Notes to the public at the public offering price on the cover page of this Prospectus Supplement, and may offer the Notes to dealers at that price less a concession not in excess of % of the principal amount per Note. The underwriters may allow, and the dealers may reallow, a discount not in excess of % of the principal amount of the Notes to other dealers. After the initial public offering of the Notes, the underwriters may change the public offering price and discount to broker/dealers.

The expenses of the offering, not including the underwriting discount, are estimated to be US$ and are payable by the Bank.

The Notes are a new issue of securities with no established trading market. The underwriters intend to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. If a trading market develops, no assurance can be given as to how liquid that trading market for the Notes will be.

The Bank has agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Over-allotment involves sales by the underwriters of Notes in excess of the principal amount of the Notes the underwriters are obligated to purchase, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Penalty bids permit the underwriters to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a

result, the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

In compliance with the guidelines of the Financial Industry Regulatory Authority (FINRA), the maximum commission or discount to be received by any FINRA member or independent broker-dealer may not exceed 8% of the aggregate principal amount of the Notes offered pursuant to this Prospectus Supplement. It is anticipated that the maximum commission or discount to be received in any particular offering of Notes will be significantly less than this amount.

In the ordinary course of business, the underwriters and their affiliates have provided financial advisory, investment banking and general financing and banking services for the Bank for customary fees. The underwriters and/or their affiliates may provide such services to the Bank in the future.

Conflicts of Interest

Because Scotia Capital (USA) Inc. is an affiliate of the Bank and is participating in the distribution of the Notes in this offering as an underwriter, Scotia Capital (USA) Inc. has a conflict of interest as defined in NASD Conduct Rule 2720, as administered by FINRA. Consequently, this offering is being conducted in compliance with NASD Conduct Rule 2720, as administered by FINRA. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of securities rated Baa or better by Moody s rating service or BBB or better by Standard & Poor s rating service or rated in a comparable category by another rating service acceptable to FINRA. Scotia Capital (USA) Inc. is not permitted to sell Notes in this offering to accounts over which discretionary control is exercised without the prior specific written authority of the accountholder.

Offering Restrictions

This Prospectus Supplement does not constitute an offer of the Notes, directly or indirectly, in Canada or to residents of Canada. Each underwriter has represented and agreed that it has not offered or sold, directly or indirectly, and that it will not, directly or indirectly, offer, sell or deliver, any of the Notes in or from Canada or to any resident of Canada without the consent of the Bank. Each underwriter has also agreed that it will include a comparable provision in any sub-underwriting, banking group or selling group agreement or similar arrangement with respect to the Notes that may be entered into by such underwriter. The Notes offered under this Prospectus Supplement to purchasers outside of Canada are being qualified under the securities laws of the Province of Ontario. The Notes will not be qualified for sale under the securities laws of any province or territory of Canada (other than the Province of Ontario).

European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus Supplement to the public other than:

to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the representatives for any such offer; or

in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

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Each purchaser of Notes described in this Prospectus Supplement located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an offer to the public in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

This Prospectus Supplement and the accompanying Prospectus are only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a Relevant Person). This Prospectus Supplement and the accompanying Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this document or any of its contents.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes offered in this Prospectus Supplement have not been registered under the Securities and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Singapore

This Prospectus Supplement and the accompanying Prospectus have not been registered as a Prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus Supplement, the accompanying Prospectus, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

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Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

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USE OF PROCEEDS

The net proceeds to the Bank from the sale of the Notes, after deducting the estimated expenses of the issue and the underwriters commissions, will amount to approximately US$. Such net proceeds will be added to the Bank s funds and will be used for general business purposes.

TRADING PRICE AND VOLUME OF THE BANK S SECURITIES

The following table sets out the price range and trading volume of the Bank s securities on the Toronto Stock Exchange (as reported by Bloomberg) for the period indicated.

		Preferred Shares											
	Common Shares	Series 12	Series 13	Series 14	Series 15	Series 16	Series 17	Series 18	Series 20	Series 22	Series 24[(1)]	Series 26	Series 28
March 2009													
-High Price ($)	33.18	20.00	18.37	17.47	17.00	20.05	21.74	23.64	22.35	22.00		25.59	25.74
-Low Price ($)	25.28	18.82	17.26	16.05	15.81	18.13	19.85	22.00	19.20	19.60		25.00	25.07
-Volume (000)	97,572	164	199	263	348	180	105	184	228	138		763	778
April 2009													
-High Price ($)	35.85	21.18	19.05	18.00	17.92	21.45	22.28	24.10	24.43	23.70		26.96	27.40
-Low Price ($)	30.30	19.41	17.57	16.66	16.61	19.25	20.95	22.83	21.75	22.00		25.33	25.48
-Volume (000)	103,382	120	151	188	457	189	130	291	235	175		680	665
May 2009													
-High Price ($)	39.00	21.96	19.90	18.71	18.91	22.29	23.99	25.00	24.70	24.75		26.99	27.31
-Low Price ($)	25.09	21.00	19.06	17.81	17.80	21.37	22.32	23.91	23.90	23.70		26.35	26.29
-Volume (000)	77,234	241	204	350	253	339	117	605	314	381		392	327
June 2009													
-High Price ($)	44.51	22.15	20.24	19.45	19.26	21.95	23.69	25.70	25.28	25.45		27.50	27.99
-Low Price ($)	38.61	21.50	19.53	18.52	18.49	21.01	22.97	24.90	24.40	24.41		26.80	26.66
-Volume (000)	75,551	202	211	196	330	316	183	494	506	331		422	339
July 2009													
-High Price ($)	46.51	22.97	21.23	19.85	19.93	22.68	24.20	26.20	26.00	26.19		28.00	28.00
-Low Price ($)	39.60	21.53	19.80	18.60	18.52	21.16	23.13	25.08	24.90	25.08		27.20	27.00
-Volume (000)	71,182	222	232	228	235	720	152	698	411	323		456	339
August 2009													
-High Price ($)	48.62	24.36	22.31	21.20	21.16	24.23	25.40	26.15	26.00	26.00		27.82	28.07
-Low Price ($)	43.16	22.66	20.80	19.76	19.76	22.50	24.31	25.84	25.56	25.59		27.40	27.47
-Volume (000)	74,645	151	562	306	289	319	299	265	478	270		692	243
September 2009													
-High Price ($)	49.19	24.45	21.99	20.79	20.85	23.97	25.30	26.39	26.15	26.21		28.18	28.14
-Low Price ($)	42.95	23.44	21.46	20.42	20.40	23.50	24.92	26.00	25.76	25.66		27.71	27.66
-Volume (000)	84,570	121	188	334	473	265	336	405	317	283		537	426
October 2009													
-High Price ($)	49.14	24.25	21.99	20.60	20.63	23.91	25.19	26.28	26.18	25.98		28.00	28.09
-Low Price ($)	43.48	22.78	20.66	19.30	19.40	22.57	23.71	25.60	25.28	25.20		27.10	27.02
-Volume (000)	64,995	167	221	316	307	203	156	215	282	431		444	544
November 2009													

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		Preferred Shares											
	Common Shares	**Series 12**	**Series 13**	**Series 14**	**Series 15**	**Series 16**	**Series 17**	**Series 18**	**Series 20**	**Series 22**	**Series 24[(1)]**	**Series 26**	**Series 28**
-High Price ($)	49.90	23.77	21.83	20.44	20.39	23.60	24.90	26.44	26.35	26.38		27.95	27.98
-Low Price ($)	44.84	22.81	20.70	19.50	19.50	22.76	24.38	25.72	25.65	25.67		27.14	27.28
-Volume (000)	57,660	190	148	254	213	262	173	426	303	252		360	309
December 2009													
-High Price ($)	49.93	24.10	22.34	21.12	20.79	24.11	25.39	26.75	26.83	26.72		28.25	28.33
-Low Price ($)	46.55	23.54	21.60	20.05	20.10	23.50	24.54	26.35	26.04	26.10		27.50	27.88
-Volume (000)	69,768	174	218	363	361	185	122	157	121	217		345	168
January 2010													
-High Price ($)	49.53	24.19	22.12	20.97	20.83	24.10	25.00	26.61	26.92	26.73		28.21	28.00
-Low Price ($)	44.12	23.70	21.68	20.33	20.33	23.46	24.60	26.05	26.06	26.13		27.66	27.65
-Volume (000)	60,818	233	117	344	345	237	140	317	307	289		291	456
February 2010													
-High Price ($)	48.33	23.75	21.87	20.56	20.59	23.69	24.88	26.55	26.49	26.55		28.22	28.11
-Low Price ($)	44.39	23.10	20.99	20.00	20.00	23.01	24.53	26.19	26.10	26.10		27.80	27.81
-Volume (000)	48,931	165	249	468	354	150	139	669	223	266		267	303
March 2010 (to March 30, 2010)													
-High Price ($)	55.33	23.35	21.42	20.18	20.24	23.19	24.74	26.84	26.57	26.65		28.42	28.50
-Low Price ($)	47.83	22.57	20.50	19.25	19.30	22.40	24.21	26.27	26.25	26.04		27.85	27.93
-Volume (000)	71,240	180	269	684	405	177	187	233	360	350		875	761

1 The Preferred Shares, Series 24 were issued on December 12, 2008 by the Bank to Sun Life Financial Inc. as partial consideration for the acquisition by the Bank of trust units of CI Financial Income Fund (now CI Financial Corp.).

On March 31, 2010, the Bank entered into an underwriting agreement to sell 10.0 million Non-cumulative 5-Year Rate Reset Preferred Shares Series 30 (the Preferred Shares Series 30) to a syndicate of underwriters at a price of $25.00 per share, for gross proceeds of $250 million. The Bank has granted to such underwriters an option to purchase up to an additional 2.0 million Preferred Shares Series 30 at closing. Closing is expected to occur on or after April 12,

2010.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Notes will be passed upon, on behalf of the Bank, by Osler, Hoskin & Harcourt LLP, the Bank s Canadian counsel, and Shearman & Sterling LLP, the Bank s U.S. counsel. Certain legal matters will be passed upon for the underwriters by Sullivan & Cromwell LLP, the underwriters U.S. counsel. As of the date of this Prospectus Supplement, the partners, associates and counsel of Osler, Hoskin & Harcourt LLP beneficially owned, directly or indirectly, less than 1% of the issued and outstanding securities of any class of the Bank or of any associate or affiliate of the Bank.

INDEPENDENT AUDITORS

KPMG LLP, Chartered Accountants, Toronto, Ontario, is the external auditor who prepared the Auditors Report to Shareholders with respect to the consolidated balance sheet of the Bank as at October 31, 2009 and 2008 and the consolidated statements of income, changes in shareholders equity, comprehensive income and cash flows for the years then ended. KPMG LLP is independent with respect to the Bank within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and within the meaning of the U.S. Securities Act of 1933, as amended, and the applicable rules and regulations thereunder. The audited consolidated financial statements of the

Bank for each of the two years in the period ended October 31, 2009 incorporated by reference in this Prospectus Supplement have been so incorporated in reliance on the report of KPMG LLP, independent accountants.

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This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offense to claim otherwise.

New Issue January 11, 2010

Short Form Base Shelf Prospectus

The Bank of Nova Scotia
US$12,000,000,000
Senior Debt Securities
Subordinated Debt Securities (subordinated indebtedness)

The Bank of Nova Scotia (the Bank) may from time to time offer and issue the following securities: (i) unsecured unsubordinated notes (the Senior Debt Securities) which would constitute deposit liabilities of the Bank for purposes of the *Bank Act* (Canada) (the Bank Act); and (ii) unsecured subordinated notes (the Subordinated Debt Securities) which would constitute subordinated indebtedness of the Bank for purposes of the Bank Act.

The Bank is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this Prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Debt Securities (as defined below) described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, Canada or the United States may not be described fully herein or in any applicable Prospectus Supplement.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Bank is a Canadian bank, that many of its officers and directors, and some of the underwriters or experts named in this Prospectus, may be residents of Canada and that all or a substantial portion of the assets of the Bank and such persons may be located outside the United States.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities regulator has approved or disapproved these Debt Securities, or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Senior Debt Securities and the Subordinated Debt Securities (collectively, the Debt Securities) offered hereby may be offered separately or together, in amounts, at prices and on terms to be set forth in an accompanying shelf prospectus supplement (a Prospectus Supplement). Information as to a particular offering that is omitted from this short form base shelf prospectus (this Prospectus) will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. The Bank may sell up to US$12,000,000,000 in aggregate initial offering price of the Debt Securities (or the U.S. dollar equivalent thereof if any of the Debt Securities are denominated in a currency or currency unit other than U.S. dollars) during the 25 month period that this Prospectus, including any amendments thereto, remains valid. The specific terms of the Debt Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and may include, where

applicable, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, maturity, interest provisions, authorized denominations, offering price, any terms for redemption at the option of the Bank or the holder, any exchange or conversion terms and any other specific terms.

This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests, including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any combination or basket of such items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in

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respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or a bankers acceptance rate, or to recognized market benchmark interest rates such as LIBOR.

The Debt Securities offered hereby have not been qualified for sale under the securities laws of any province or territory of Canada (other than the Province of Ontario) and, unless otherwise provided in the Prospectus Supplement relating to a particular issue of Debt Securities, will not be offered or sold, directly or indirectly, in Canada or to any resident of Canada except in the Province of Ontario.

The Debt Securities may be sold through underwriters or dealers purchasing as principals, through agents designated by the Bank (such underwriters, dealers and agents are collectively referred to in this Prospectus as Investment Dealers and individually as an Investment Dealer) or by the Bank directly pursuant to applicable statutory exemptions, from time to time. See Plan of Distribution. Each Prospectus Supplement will identify each Investment Dealer engaged in connection with the offering and sale of those Debt Securities to which the Prospectus Supplement relates, and will also set forth the terms of the offering of such Debt Securities, including the net proceeds to the Bank and, to the extent applicable, any fees payable to the Investment Dealers. The offerings are subject to approval of certain legal matters by the Bank s counsel.

The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are located at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

Unless otherwise indicated, all dollar amounts appearing in this Prospectus are stated in Canadian dollars.

There is currently no market through which the Debt Securities offered hereunder may be sold and purchasers may not be able to resell such Debt Securities purchased under this Prospectus. This may affect the pricing of such Debt Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Debt Securities, and the extent of issuer regulation. See the Risk Factors sections of this Prospectus and the applicable Prospectus Supplement.

The Debt Securities will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* (Canada) or by the United States Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

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FORWARD-LOOKING STATEMENTS

The Bank s public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the SEC, or in other communications. All such statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Bank s objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank s businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as believe, expect, anticipate, intent, estimate, plan, may increase, may fluctuate, and simi of future or conditional verbs, such as will, should, would and could.

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond the Bank s control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to the Bank and its affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to the Bank s credit ratings; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and reputational risks; the risk that the Bank s risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new

products and services in receptive markets; the Bank s ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank s ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank s ability to attract and retain key executives; reliance on third parties to provide components of the Bank s business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such

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as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank s anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank s financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank s actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion in the Bank s Annual MD&A (as defined below), which is incorporated by reference herein and which outlines in detail certain key factors that may affect the Bank s future results.

The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

AVAILABLE INFORMATION

In addition to the continuous disclosure obligations under the securities laws of the provinces and territories of Canada, the Bank is subject to the informational reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files reports and other information with the SEC. Under a multi-jurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of the provincial and territorial securities regulatory authorities of Canada, which requirements are different from those of the United States. As a foreign private issuer, the Bank is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and the Bank s officers and directors are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. The Bank s reports and other information filed with or furnished to the SEC since November 2000 are available, and reports and other information filed or furnished in the future with or to the SEC will be available, from the SEC s Electronic Document Gathering and Retrieval System (http://www.sec.gov), which is commonly known by the acronym EDGAR, as well as from commercial document retrieval services. Any document the Bank files with or furnishes to the SEC may be inspected and, by paying a fee, copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Prospective investors may call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities. The Bank s common shares are listed on the New York Stock Exchange and reports and other information concerning the Bank may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The Bank has filed with the SEC, under the U.S. Securities Act of 1933, as amended (the U.S. Securities Act), a registration statement on Form F-9 with respect to the Debt Securities and of which this Prospectus forms a part. This Prospectus does not contain all of the information that is set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance, reference is made to an exhibit, if applicable, for a more complete description of the matter, each such statement being qualified in its entirety by such reference. For further information with respect to the Bank and the Debt Securities, reference is made to the registration statement and the exhibits thereto, which will be publicly available as described in the preceding paragraph.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been filed with the Ontario Securities Commission and filed with or furnished to the SEC and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

(a) the Bank s annual information form (the Annual Information Form) dated December 8, 2009, for the year ended October 31, 2009;

(b) the Bank s management proxy circular attached to the Notice of Meeting dated January 12, 2009, prepared in connection with the Bank s annual meeting of shareholders held on March 3, 2009;

(c) the Bank s consolidated financial statements for the years ended October 31, 2009 and 2008, together with the auditors report thereon; and

(d) the Bank s management s discussion and analysis of financial condition and results of operations for the year ended October 31, 2009 (the Annual MD&A).

Any documents of the type referred to in the preceding paragraph (excluding confidential material change reports) and any unaudited interim financial statements for the three, six or nine month financial periods filed by the Bank with the Ontario Securities Commission after the date of this Prospectus and prior to the completion or withdrawal of any offering hereunder, shall be deemed to be incorporated by reference in this Prospectus. In addition, any documents filed on Form 40-F or furnished on Form 6-K by the Bank with the SEC, after the date of this Prospectus and prior to the completion or withdrawal of any offering hereunder, shall be deemed to be incorporated by reference in this Prospectus and the registration statement of which this Prospectus forms a part.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this Prospectus will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

A Prospectus Supplement containing the specific terms of an offering of Debt Securities will be delivered to purchasers of such Debt Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement solely for the purposes of the offering of the Debt Securities covered by that Prospectus Supplement unless otherwise expressly provided therein.

Upon a new management proxy circular, annual information form or new annual financial statements, together with the auditors report thereon and management s discussion and analysis contained therein, being filed by the Bank with the Ontario Securities Commission during the currency of this Prospectus, the previous annual information form, management proxy circular, or annual financial statements, as applicable and all interim financial statements, material change reports, and information circulars, as applicable filed prior to the commencement of the Bank s financial year in which the new management proxy circular, annual information form or annual financial statements are filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Debt Securities hereunder.

Copies of the documents incorporated by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such document) may be obtained on request without charge, by writing to or telephoning the Bank at the following address:

The Bank of Nova Scotia
Scotia Plaza
44 King Street West
Toronto, Ontario
Canada M5H 1H1
Attention: Secretary
Telephone: (416) 866-3672

PRESENTATION OF FINANCIAL INFORMATION

The Bank prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP), which differ in certain respects from U.S. GAAP. For a discussion of significant differences between Canadian and U.S. GAAP and a reconciliation of the consolidated balance sheet and statement of income, you should read the section titled Note 29: Reconciliation of Canadian and United States Generally Accepted Accounting Principles (GAAP) in the Bank s Annual MD&A on Form 40-F for the fiscal year ended October 31, 2009.

Additionally, the Bank publishes its consolidated financial statements in Canadian dollars. In this Prospectus and any applicable Prospectus Supplement, currency amounts are stated in Canadian dollars, unless specified otherwise. References to $, Cdn$ and dollars are to Canadian dollars, and references to US$ are to U.S. dollars.

BUSINESS OF THE BANK

The Bank is a Canadian chartered bank under the Bank Act. The Bank Act is the charter of the Bank and governs its operations.

The Bank is one of North America s premier financial institutions and Canada s most international bank. Through its team of close to 68,000 employees, the Bank and its affiliates offer a broad range of products and services, including retail, commercial, corporate and investment banking to almost 14.6 million customers in some 50 countries around the world.

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2009 is incorporated by reference from the Bank s Annual Information Form dated December 8, 2009.

EARNINGS COVERAGE

The following earnings coverage ratios reflect the repurchase by the Bank, on December 15, 2009, of its floating rate subordinated debentures due August 2085 in an aggregate principal amount of US$10.05 million, but do not reflect the issuance of any Debt Securities under this Prospectus.

The Bank s interest requirements for subordinated debentures, capital instrument liabilities and those instruments that were reclassified as deposits from capital instrument liabilities in accordance with the pronouncements issued by the Canadian Institute of Chartered Accountants amounted to $603 million for the 12 months ended October 31, 2009. The Bank s earnings before interest and income tax for the 12 months ended October 31, 2009 were $5,246 million, which was 8.7 times the Bank s aggregate interest requirements for this period.

All amounts appearing under this heading, Earnings Coverage, are derived from the Bank s consolidated financial statements which have been audited and which are incorporated herein by reference.

DESCRIPTION OF THE DEBT SECURITIES

References to the Bank, us, we or our in this section mean The Bank of Nova Scotia, and do not include the subsidiaries of The Bank of Nova Scotia. Also, in this section, references to holders mean those who own Debt Securities registered in their own names, on the books that we or the applicable trustees maintain for this purpose, and not those who own beneficial interests in Debt Securities registered in street name or in Debt Securities issued in book-entry form through one or more depositaries. When we refer to you in this Prospectus, we mean all purchasers of the Debt Securities being offered by this Prospectus, whether they are the holders or only indirect owners of those Debt Securities. Owners of beneficial interests in the Debt Securities should read the section below entitled Legal Ownership and Book-Entry Issuance.

The following description sets forth certain general terms and provisions of the Debt Securities. We will provide particular terms and provisions of a series of Debt Securities and a description of how the general terms and provisions described below may apply to that series in a Prospectus Supplement. Prospective investors should rely on information in the applicable Prospectus Supplement if it is different from the following information.

Securities May Be Senior or Subordinated

We may issue Debt Securities which may be senior or subordinated in right of payment. Neither the Senior Debt Securities nor the Subordinated Debt Securities will be secured by any of our property or assets or the property or assets of our subsidiaries. Thus, by owning a Debt Security, you are one of our unsecured creditors.

The Senior Debt Securities will be issued under our senior debt indenture described below and will be unsubordinated obligations that rank equally with all of our other unsecured and unsubordinated debt, including deposit liabilities, other than certain governmental claims in accordance with applicable law.

The Subordinated Debt Securities will be issued under our subordinated debt indenture described below and will be subordinate in right of payment to all of our senior indebtedness, as defined in the subordinated debt indenture. Neither indenture limits our ability to incur additional indebtedness.

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In the event we become insolvent, our governing legislation provides that priorities among payments of our deposit liabilities (including payments in respect of the Senior Debt Securities) and payments of all of our other liabilities (including payments in respect of the Subordinated Debt Securities) are to be determined in accordance with the laws governing priorities and, where applicable, by the terms of the indebtedness and liabilities. In addition, our right to participate in any distribution of the assets of our banking or non-banking subsidiaries, upon a subsidiary s dissolution, winding-up, liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that we may be a creditor of that subsidiary and our claims are recognized. There are legal limitations on the extent to which some of our subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, us or some of our other subsidiaries. Accordingly, the Debt Securities will be structurally subordinated to all existing and future liabilities of our subsidiaries, and holders of Debt Securities should look only to our assets for payments on the Debt Securities.

Neither the Senior Debt Securities nor the Subordinated Debt Securities will constitute deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada) or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

When we refer to Debt Securities or Debt Security in this section, we mean both the Senior Debt Securities and the Subordinated Debt Securities.

The Senior and Subordinated Debt Indentures

The Senior Debt Securities and the Subordinated Debt Securities are each governed by an indenture the senior debt indenture, in the case of the Senior Debt Securities, and the subordinated debt indenture, in the case of the Subordinated Debt Securities. When we refer to the indentures, we mean both the senior debt indenture and the subordinated debt indenture, and when we refer to the indenture, we mean either the senior debt indenture or the subordinated debt indenture, as applicable. Each indenture is a contract between us, Computershare Trust Company, N.A., as U.S. trustee, and Computershare Trust Company of Canada, as Canadian trustee, which act as trustees. When we refer to the trustees, we mean both the U.S. trustee and the Canadian trustee, and when we refer to the trustee, we mean either the U.S. trustee or the Canadian trustee, as applicable. The indentures are subject to and governed by the U.S. Trust Indenture Act of 1939, as amended, and applicable Canadian trust indenture legislation. The indentures are substantially identical, except for the provisions relating to:

- the events of default, which are more limited in the subordinated debt indenture; and
- subordination, which are included only in the subordinated debt indenture.

Reference to the indenture or the trustees, with respect to any Debt Securities, means the indenture under which those Debt Securities are issued and the trustees under that indenture.

The trustees have two main roles:

- The trustees can enforce the rights of holders against us if we default on our obligations under the terms of the indenture or the Debt Securities. There are some limitations on the extent to which the trustees act on behalf of holders, described below under Events of Default Remedies If an Event of Default Occurs.

The trustees perform administrative duties for us, such as sending interest payments and notices to holders and transferring a holder s Debt Securities to a new buyer if a holder sells.

The indentures and their associated documents contain the full legal text of the matters described in this section. The indentures and the Debt Securities will be governed by New York law, except that the subordination provisions in the subordinated debt indenture and certain provisions relating to the status of the Senior Debt Securities under Canadian law in the senior debt indenture will be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. A copy of each of the senior debt indenture and the subordinated debt indenture is an exhibit to the registration statement of which this Prospectus forms a part. See Available Information above for information on how to obtain a copy.

General

We may issue as many distinct series of Debt Securities under either indenture as we wish. The provisions of the senior debt indenture and the subordinated debt indenture allow us not only to issue Debt Securities with terms different from those previously issued under the applicable indenture, but also to re-open a previous issue of a series of Debt Securities and issue additional Debt Securities of that series. We may issue Debt Securities in amounts that exceed the

total amount specified on the cover of your applicable Prospectus Supplement at any time without your consent and without notifying you. In addition, we may issue additional Debt Securities of any series at any time without your consent and without notifying you. We may also issue other securities at any time without your consent and without notifying you. The indentures do not limit our ability to incur other indebtedness or to issue other securities, and we are not subject to financial or similar restrictions under the indentures.

This section summarizes the material terms of the Debt Securities that are common to all series, subject to any modifications contained in an applicable Prospectus Supplement. Most of the specific terms of your series will be described in the applicable Prospectus Supplements accompanying this Prospectus. As you read this section, please remember that the specific terms of your Debt Security as described in the applicable Prospectus Supplements will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between the information in the applicable Prospectus Supplements and this Prospectus, the information in the most recent applicable Prospectus Supplement will control. Accordingly, the statements we make in this section may not apply to your Debt Securities. Because this section is a summary, it does not describe every aspect of the Debt Securities. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures and the applicable series of Debt Securities, including definitions of certain terms used in the indentures and the applicable series of Debt Securities. In this summary, we describe the meaning of only some of the more important terms. You must look to the indentures or the applicable series of Debt Securities for the most complete description of what we describe in summary form in this Prospectus.

We may issue the Debt Securities as original issue discount securities, which will be offered and sold at a substantial discount below their stated principal amount. An applicable Prospectus Supplement relating to the original issue discount securities will describe U.S. federal income tax consequences and other special considerations applicable to them. An applicable Prospectus Supplement relating to specific Debt Securities will also describe any special considerations and any material tax considerations applicable to such Debt Securities.

When we refer to a series of Debt Securities, we mean a series issued under the indenture pursuant to which the Debt Securities will be issued. Each series is a single distinct series under the indenture pursuant to which they will be issued and we may issue Debt Securities of each series in such amounts, at such times and on such terms as we wish. The Debt Securities of each series will differ from one another, and from any other series, in their terms, but all Debt Securities of a series together will constitute a single series for all purposes under the indenture pursuant to which they will be issued.

We may issue Debt Securities up to an aggregate principal amount as we may authorize from time to time. The applicable Prospectus Supplements will describe the terms of any Debt Securities being offered, including:

- the title of the series of Debt Securities;
- whether it is a series of Senior Debt Securities or a series of Subordinated Debt Securities;
- any limit on the aggregate principal amount of the series of Debt Securities;
- the person to whom interest on a Debt Security is payable, if other than the holder on the regular record date;
- the date or dates on which the series of Debt Securities will mature;
- the rate or rates (which may be fixed or variable) per annum, at which the series of Debt Securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

the dates on which such interest, if any, will be payable and the regular record dates for such interest payment dates;

the place or places where the principal of, premium, if any, and interest on the Debt Securities is payable;

any mandatory or optional sinking funds or similar provisions or provisions for redemption at our option or the option of the holder;

if applicable, the date after which, the price at which, the periods within which and the terms and conditions upon which the Debt Securities may, pursuant to any optional or mandatory redemption provisions, be redeemed and other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

if applicable, the terms and conditions upon which the Debt Securities may be repayable prior to final maturity at the option of the holder thereof (which option may be conditional);

the portion of the principal amount of the Debt Securities, if other than the entire principal amount thereof, payable upon acceleration of maturity thereof;

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if the Debt Securities may be converted into or exercisetyle="margin-left:15px; text-indent:-15px">Total revenue

	$1,293	$75	$1,368	$7,855	$	$7,855
Operating costs and expenses	2,565	84	2,649	9,065		9,065
Loss from operations	(1,272)	(9)	(1,281)	(1,210)		(1,210)
Other income, net		1	1	5		5
Loss from discontinued operations	$(1,272)	$(8)	$(1,280)	$(1,205)	$	$(1,205)

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The results of discontinued operations for the nine months ended September 30, 2006 and 2007 were as follows (in thousands):

	Nine months ended September 30, 2006			Nine months ended September 30, 2007		
	RSVP	DSW	Total	RSVP	DSW	Total
Total revenue	$ 5,414	$ 726	$ 6,140	$ 17,023	$ 2	$ 17,025
Operating costs and expenses	6,397	639	7,036	25,516	38	25,554
Income (loss) from operations	(983)	87	(896)	(8,493)	(36)	(8,529)
Other income, net	1	1	2	24		24
Minority interest		(47)	(47)			
Income (loss) from discontinued operations	$ (982)	$ 41	$ (941)	$ (8,469)	$ (36)	$ (8,505)

The current and non-current assets and liabilities of discontinued operations of RSVP and DSW were as follows (in thousands):

	December 31, 2006			September 30, 2007
	RSVP	DSW	Total	RSVP
Current assets of discontinued operations:				
Accounts receivable	$ 374	$	$ 374	$ 1,059
Prepaid expenses and other current assets	7,172	27	7,199	554
	$ 7,546	$ 27	$ 7,573	$ 1,613
Long-term assets of discontinued operations:				
Property and equipment, net	$ 186	$	$ 186	$ 191
Goodwill	3,982		3,982	
Intangible assets, net	2,369		2,369	1,444
Other assets				1
	$ 6,537	$	$ 6,537	$ 1,636
Current liabilities of discontinued operations:				
Accounts payable	$ 85	$ 6	$ 91	$ 95
Accrued expenses and other liabilities	397		397	306
Deferred revenue, current portion	5,580		5,580	1,300
	$ 6,062	$ 6	$ 6,068	$ 1,701

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

The following discussion should be read in conjunction with the financial statements and related notes which appear elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by terminology including would, could, may, will, should, expect, intend, plan, anticipate, believe, estimate, predict, potential or continue, the negative of these terms or other comparable terminology. These statements are only predictions. Forward-looking statements include statements about our business strategy, future operating performance and prospects. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this document and in our Form 10-K filed for the year ended December 31, 2006.

Overview

We are a leading global media and entertainment company serving the worldwide lesbian, gay, bisexual and transgender, or LGBT, community. We serve this audience through a variety of products and services including online and print media properties, and other goods and services.

In July 2007, we closed our private placement financing with a group of accredited and institutional investors and received an aggregate of approximately $26.2 million in gross proceeds from the sale of approximately 2.3 million shares of our common stock at a price of $11.50 per share. We realized net proceeds of approximately $24.0 million from the private placement after deducting fees payable to the placement agent and other transaction costs.

As a result of further integrating our various businesses, our executive management team, and our financial and management reporting systems during fiscal 2006, we began to operate as three segments effective January 1, 2007: Online, Publishing and Travel and Events. The Travel and Events segment consisted of travel and events marketed through our RSVP Productions, Inc. (RSVP) brand and by our consolidated affiliate, PNO DSW Events, LLC (DSW). We entered into an agreement to sell our RSVP brand in October 2007 and sold our interest in DSW in March 2007. As of September 30, 2007, we have two segments remaining: Online and Publishing. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we have reported the results of operations and financial position of RSVP and DSW in discontinued operations within the condensed consolidated financial statements for the three and nine months ended September 30, 2006 and 2007.

Our Online segment consists of our LGBT-focused websites, most notably Gay.com, PlanetOut.com, Advocate.com and Out.com which provide revenues from advertising services and subscription services. Our Online segment also includes our transaction-based websites, including Kleptomaniac.com and BuyGay.com, which generate revenue through sales of products and services of interest to the LGBT community, such as fashion, books, video and music products. Our Publishing segment includes the operations of our print media properties including the magazines *The Advocate*, *Out*, *The Out Traveler* and *HIVPlus*, among others. Our Publishing segment also generates revenue from newsstand sales of our various print properties and our book publishing business, Alyson.

Executive Operating and Financial Summary

Our total revenue was $13.7 million in the three months ended September 30, 2007, decreasing 2% from total revenue of $14.0 million in the three months ended September 30, 2006. Our total revenue was $39.8 million in the nine months ended September 30, 2007, decreasing 8% from total revenue of $43.1 million in the nine months ended September 30, 2006. These decreases were primarily due to decreases in our subscription and transaction services revenue.

Total operating costs and expenses were $17.2 million in the three months ended September 30, 2007, increasing 22% above total operating costs and expenses of $14.1 million in the three months ended September 30, 2006. Total operating costs and expenses were $73.0 million in the nine months ended September 30, 2007, increasing 66% above total operating costs and expenses of $43.9 million in the nine months ended September 30, 2006. These increases were primarily due to an estimated goodwill impairment charge of $21.1 million which we recorded during the three months ended June 30, 2007. Operating costs and expenses also increased due to increased marketing costs related to direct-mail campaigns for our print properties, severance charges related to the departure of our former President and Chief Operating Officer and our former Chief Technology Officer, increased legal expenses and increased

depreciation on capital expenditures as a result our on-going product development and compliance efforts.

Loss from operations was $3.4 million in the three months ended September 30, 2007, compared to loss from operations of $0.1 million in the three months ended September 30, 2006. Loss from operations was $33.1 million in the nine months ended September

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30, 2007, compared to loss from operations of $0.8 million in the nine months ended September 30, 2006. This increase in loss from operations was primarily the result of the estimated goodwill impairment charge and the increases in operating costs and expenses noted above and the decrease in revenue noted above.

For the remainder of fiscal 2007, management expects that revenue will decrease slightly in comparison to the comparable prior year period primarily as a result of the planned divestiture of the SpecPub Inc. asset group and an anticipated decrease in online subscription services revenue.

We expect our operating loss will increase for the remainder of fiscal 2007 over the comparable prior year period as we incur additional expenses in re-designing our technological architecture, rewriting our web applications and rebuilding our technology platform and networks.

Results of Operations

Segment performance is measured based on contribution margin (loss), which consists of total revenues from external customers less direct operating expenses. Direct operating expenses include cost of revenue and sales and marketing expenses. Segment managers do not have discretionary control over other operating costs and expenses such as general and administrative costs (consisting of costs such as corporate management, human resources, finance and legal), restructuring, depreciation and amortization expense and impairment of goodwill, as such, other operating costs and expenses are not evaluated in the measurement of segment performance.

Online Segment

Comparison of three months ended September 30, 2006 to three months ended September 30, 2007 (in thousands, except percentages):

	Three months ended September 30,		Increase (decrease)	
	2006	2007	$	%
Online revenue:				
Advertising services	$ 2,646	$ 2,443	$ (203)	(8%)
Subscription services	4,473	4,010	(463)	(10%)
Transaction services	448	279	(169)	(38%)
Total online revenue	7,567	6,732	(835)	(11%)
Online direct operating costs and expenses:				
Cost of revenue	2,446	2,842	396	16%
Sales and marketing	2,440	2,125	(315)	(13%)
Total online direct operating costs and expenses	4,886	4,967	81	2%
Online contribution margin	$ 2,681	$ 1,765	$ (916)	(34%)

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Comparison of nine months ended September 30, 2006 to nine months ended September 30, 2007 (in thousands, except percentages):

	Nine months ended September 30,		Increase (decrease)	
	2006	**2007**	**$**	**%**
Online revenue:				
Advertising services	$ 7,242	$ 6,891	$ (351)	(5%)
Subscription services	13,985	12,519	(1,466)	(10%)
Transaction services	1,617	959	(658)	(41%)
Total online revenue	22,844	20,369	(2,475)	(11%)
Online direct operating costs and expenses:				
Cost of revenue	7,394	9,766	2,372	32%
Sales and marketing	7,774	7,019	(755)	(10%)
Total online direct operating costs and expenses	15,168	16,785	1,617	11%
Online contribution margin	$ 7,676	$ 3,584	$ (4,092)	(53%)

We derive online advertising revenue from advertising contracts in which we typically undertake to deliver a minimum number of impressions to users over a specified time period for a fixed fee. In addition to revenue from advertisers who place general online advertisements on our websites, we derive advertising revenue from the sale of online classified listings. We derive online subscription services revenue from paid membership subscriptions to our online media properties. Transaction services revenue includes revenue generated from the sale of products through multiple transaction-based websites.

Online revenues decreased as a result of a reduction in the number of online subscribers to our Gay.com website, a decrease in sales of products on our transaction-based website properties and a reduction in our national and local advertising sales due in part to turnover in our digital sales staff. Online cost of revenue expenses increased primarily as a result of increased costs to integrate and re-architect the core technology platform of our websites, and, to a lesser extent, increased costs related to the departure of our former Chief Technology Officer. Online sales and marketing expenses decreased as a result of decreased spending on advertising in the first nine months of 2007.

We expect that online revenue for the remainder of fiscal 2007 will decrease from the comparable prior year period as a result of anticipated additional reductions in the number of online subscribers and the planned divestiture of the SpecPub Inc. assets group. We expect that online cost of revenue will increase as we continue to re-architect our core technology platform of our websites, partially offset by the planned divestiture of the SpecPub Inc. asset group. For the remainder of fiscal 2007, we expect that sales and marketing expenses may vary with the comparable prior year period depending on the timing of planned advertising to coincide with certain product development milestones.

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Publishing Segment

Comparison of three months ended September 30, 2006 to three months ended September 30, 2007 (in thousands, except percentages):

	Three months ended September 30, 2006	Three months ended September 30, 2007	Increase (decrease) $	Increase (decrease) %
Publishing revenue:				
Advertising services	$ 3,740	$ 4,853	$ 1,113	30%
Subscription services	1,358	1,383	25	2%
Transaction services	1,375	758	(617)	(45%)
Total publishing revenue	6,473	6,994	521	8%
Publishing direct operating costs and expenses:				
Cost of revenue	3,775	4,237	462	12%
Sales and marketing	1,337	2,001	664	50%
Total publishing direct operating costs and expenses	5,112	6,238	1,126	22%
Publishing contribution margin	$ 1,361	$ 756	$ (605)	(44%)

Comparison of nine months ended September 30, 2006 to nine months ended September 30, 2007 (in thousands, except percentages):

	Nine months ended September 30, 2006	Nine months ended September 30, 2007	Increase (decrease) $	Increase (decrease) %
Publishing revenue:				
Advertising services	$ 11,809	$ 12,470	$ 661	6%
Subscription services	4,437	4,215	(222)	(5%)
Transaction services	4,046	2,772	(1,274)	(31%)
Total publishing revenue	20,292	19,457	(835)	(4%)
Publishing direct operating costs and expenses:				
Cost of revenue	12,011	12,183	172	1%
Sales and marketing	3,658	5,278	1,620	44%
Total publishing direct operating costs and expenses	15,669	17,461	1,792	11%
Publishing contribution margin	$ 4,623	$ 1,996	$ (2,627)	(57%)

We derive advertising revenue from advertisements placed in our printed publications. We currently offer our customers seven separate subscription services across our print media properties. Transaction services revenue includes revenue generated from sales of magazines through newsstand circulation and book sales.

Publishing revenues increased principally due to an increase in advertising services revenue as a result of increased page rates from our advertisers as a result of our circulation base growth and strong sales related to our 40th anniversary issue of *The Advocate* which was offset by decreased newsstand sales of our magazines and books. Publishing sales and marketing expenses increased primarily due to the increase in marketing costs related to direct-mail campaigns on most of our print properties.

For the remainder of fiscal 2007, we expect that total publishing revenues will decrease from the comparable prior year period primarily as a result of the planned divestiture of the SpecPub, Inc. asset group and the effect of advertising sales migrating from print to online. We expect that publishing direct operating costs for the remainder of fiscal 2007 will increase from the comparable prior year period primarily as a result of anticipated increases in sales and marketing expenses for direct mail campaigns of our print properties and increases in mailing costs due to higher postage rates, partially offset by the planned divestiture of the SpecPub Inc. asset group.

Other Operating Costs and Expenses

Other operating costs and expenses include general and administrative costs (such as corporate management, human resources, finance and legal), restructuring, depreciation and amortization expense and impairment of goodwill. These other operating costs and expenses are not evaluated in the measurement of segment performance since segment managers do not have discretionary control over these costs and expenses.

General and Administrative. General and administrative expense consists primarily of payroll and related benefits for executive, finance, administrative and other corporate personnel, occupancy costs, professional fees, insurance and other general corporate expenses. Our general and administrative expenses were $3.7 million for the three months ended September 30, 2007, up 30% from the three months ended September 30, 2006. Our general and administrative expenses were $12.0 million for the nine months ended September 30, 2007, up 39% from the nine months ended September 30, 2006. General and administrative expenses as a percentage of revenue were 27% for the three months ended September 30, 2007, up from 20% in the three months ended September 30, 2006. General and administrative expenses as a percentage of revenue were 30% for the nine months ended September 30, 2007, up from 20% in the nine months ended September 30, 2006. The increase in general and administrative expenses in both absolute dollars and as a percentage of revenue were due to increased compensation and employee related costs as a result of increases in headcount; severance expenses related to the departure of our President and Chief Operating Officer in March 2007; increased stock-based compensation expenses; and increased legal expenses.

For the remainder of fiscal 2007, we expect general and administrative expenses to increase from the comparable prior year period primarily due to increased compensation and employee related costs as a result of increases in the headcount at September 30, 2007 over September 30, 2006 and increased legal costs.

Restructuring. In June 2006, our board of directors adopted and approved a reorganization plan to align our resources with our strategic business objectives. As part of the plan, we consolidated our media and advertising services, e-commerce services and back-office operations on a global basis to streamline our operations as part of continued integration of our acquired businesses. The reorganization, along with other organizational changes, reduced our total workforce by approximately 5%. Restructuring costs of approximately $0.8 million, primarily related to employee severance benefits of approximately $0.6 million and facilities consolidation expenses of approximately $0.2 million, were recorded during the three months ended June 30, 2006. During the three months ended September 30, 2006, we recorded adjustments to the cost of closing redundant facilities of approximately $0.1 million. We completed this restructuring in the fourth quarter of 2006, with certain payments continuing beyond 2006 in accordance with the terms of existing severance and other agreements.

In July 2007, our board of directors adopted and approved a reorganization plan to further align our resources with our strategic business objectives. As part of the plan, we closed our international offices located in Buenos Aires and London in order to streamline our business operations and reduce expenses. The reorganization, along with other organizational changes, reduced our total workforce by approximately 15%. Restructuring costs of approximately $581,000, primarily related to employee severance benefits of approximately $451,000 and facilities consolidation expenses of approximately $130,000, were recorded during the three months ended September 30, 2007. We completed this restructuring in the third quarter of 2007.

Depreciation and Amortization. Depreciation and amortization expense was $1.7 million for the three months ended September 30, 2007, up 43% from the three months ended September 30, 2006. Depreciation and amortization expense was $5.1 million for the nine months ended September 30, 2007, up 43% from the nine months ended September 30, 2006. These increases were due primarily to increased depreciation on capital expenditures as a result our on-going product development and compliance efforts. Amortization of intangible assets was $0.3 million and $0.2 million in the three months ended September 30, 2006 and 2007, respectively, and $0.9 million and $0.8 million in the nine months ended September 30, 2006 and 2007, respectively, due to intangible assets which we capitalized in connection with the acquisition of LPI.

For the remainder of fiscal 2007, we expect depreciation and amortization expense to increase from the comparable prior year period as a result of capital investments to support our on-going product development.

Impairment of Goodwill. During the three months ended June 30, 2007, we recorded an estimated goodwill impairment charge of $21.1 million, primarily resulting from lower than expected revenue related to our advertising

business which we believe resulted in a significant decrease in the trading price of our common stock and a corresponding reduction in our market capitalization. There was no impairment charge to goodwill of our continuing operations during the three months ended September 30, 2007.

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We have engaged an independent business valuation consultant to express an opinion with respect to our estimates of the fair market value of our reporting units that were used in calculating our estimated impairment charge. We expect to obtain this opinion by fiscal year-end and may accordingly revise our estimates of impairment.

Other Income and Expenses

Interest Expense. Interest expense was $0.8 million for the three months ended September 30, 2007, an increase of 253% from the three months ended September 30, 2006. Interest expense was $1.9 million for the nine months ended September 30, 2007, an increase of 211% from the nine months ended September 30, 2006. These increases were due primarily to interest expense on the Orix term and revolving loans entered into in September 2006. In July 2007, we used a portion of the proceeds of our equity financing to repay, in full, our indebtedness obligations under loans from Orix, as well as our obligations under the LPI note. Interest expense for the three and nine months ended September 30, 2007 includes prepayment fees of $0.3 million, loan deferral fees of $0.2 million and $0.2 million for acceleration of the loan discount.

Other Income, Net. Other income, net consists primarily of interest earned on cash, cash equivalents, restricted cash and short-term investments. Other income, net remained relatively constant in the three and nine months ended September 30, 2007 and 2006.

Discontinued Operations

In an effort to simplify our business model, we determined to exit our Travel and Events businesses. In March 2007, we sold our interest in DSW and, in October 2007, we entered into an agreement to sell substantially all of the assets of RSVP, the closing of which is pending. As a result of the sale of DSW and the anticipated sale of RSVP, the results of operations, cash flows and related assets and liabilities for these businesses have been presented as discontinued operations as noted below.

RSVP Productions, Inc.

In October 2007, we entered into an agreement to sell substantially all of the assets of our wholly-owned subsidiary, RSVP, to Atlantis Events, Inc. In accordance with FAS 144, we have reported the results of operations and financial position of RSVP in discontinued operations within the condensed consolidated financial statements for the three and nine months ended September 30, 2006 and 2007. We have reported the financial position of RSVP as assets and liabilities of discontinued operations on the condensed consolidated balance sheets as of December 31, 2006 and September 30, 2007. In addition, we have segregated the cash flow activity of RSVP from the condensed consolidated statements of cash flows for the nine months ended September 30, 2006 and 2007. The results of operations of RSVP were previously reported and included in the results of operations and financial position of our Travel and Events segment.

PNO DSW Events, LLC

In March 2007, we sold our membership interest in DSW, a joint venture, to the minority interest partner for $270,000 and recognized a gain on the sale of approximately $77,000. In accordance with FAS 144, we have reported the results of operations and financial position of DSW in discontinued operations within the condensed consolidated financial statements for the three and nine months ended September 30, 2006 and 2007. We have reported the financial position of DSW as assets and liabilities of discontinued operations on the condensed consolidated balance sheet as of December 31, 2006. In addition, we have segregated the cash flow activity of DSW from the condensed consolidated statements of cash flows for the nine months ended September 30, 2006 and 2007. The results of operations of DSW were previously reported and included in the results of operations and financial position of our Travel and Events segment.

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The results of discontinued operations for the three months ended September 30, 2006 and 2007 were as follows (in thousands):

	Three months ended September 30, 2006			Three months ended September 30, 2007		
	RSVP	**DSW**	**Total**	**RSVP**	**DSW**	**Total**
Total revenue	$ 1,293	$ 75	$ 1,368	$ 7,855	$	$ 7,855
Operating costs and expenses	2,565	84	2,649	9,065		9,065
Loss from operations	(1,272)	(9)	(1,281)	(1,210)		(1,210)
Other income, net		1	1	5		5
Loss from discontinued operations	$ (1,272)	$ (8)	$ (1,280)	$ (1,205)	$	$ (1,205)

The results of discontinued operations for the nine months ended September 30, 2006 and 2007 were as follows (in thousands):

	September 30, 2006			September 30, 2007		
	RSVP	**DSW**	**Total**	**RSVP**	**DSW**	**Total**
Total revenue	$ 5,414	$ 726	$ 6,140	$ 17,023	$ 2	$ 17,025
Operating costs and expenses	6,397	639	7,036	25,516	38	25,554
Income (loss) from operations	(983)	87	(896)	(8,493)	(36)	(8,529)
Other income, net	1	1	2	24		24
Minority interest		(47)	(47)			
Income (loss) from discontinued operations	$ (982)	$ 41	$ (941)	$ (8,469)	$ (36)	$ (8,505)

The current and non-current assets and liabilities of discontinued operations were as follows (in thousands):

	December 31, 2006			September 30, 2007
	RSVP	**DSW**	**Total**	**RSVP**
Current assets of discontinued operations:				
Accounts receivable	$ 374	$	$ 374	$ 1,059
Prepaid expenses and other current assets	7,172	27	7,199	554
	$ 7,546	$ 27	$ 7,573	$ 1,613
Long-term assets of discontinued operations:				
Property and equipment, net	$ 186	$	$ 186	$ 191
Goodwill	3,982		3,982	
Intangible assets, net	2,369		2,369	1,444
Other assets				1
	$ 6,537	$	$ 6,537	$ 1,636

Current liabilities of discontinued operations:				
Accounts payable	$ 85	$ 6	$ 91	$ 95
Accrued expenses and other liabilities	397		397	306
Deferred revenue, current portion	5,580		5,580	1,300
	$ 6,062	$ 6	$ 6,068	$ 1,701

Liquidity and Capital Resources

Cash used in continuing operating activities for the nine months ended September 30, 2007 was $4.7 million, due primarily to our loss from continuing operations of $34.6 million, partially offset by an estimated non-cash goodwill impairment charge of $21.1 million, depreciation and amortization of $5.1 million, stock-based compensation expense of $0.6 million, a decrease in accounts receivable, and an increase in accounts payable. Cash provided by continuing operating activities for the nine months ended September 30, 2006 was $2.2 million, and was primarily attributable to depreciation and amortization and increases in accounts

payable and accrued expenses and other liabilities, partially offset by our net loss, and increases in accounts receivable and prepaid expense and other assets.

Cash provided by investing activities in the nine months ended September 30, 2007 was $1.9 million and was primarily attributable to sales of short-term investments and changes in restricted cash, partially offset by purchases of property and equipment. Cash used in investing activities in the nine months ended September 30, 2006 was $12.9 million and was primarily attributable to the acquisition of RSVP, an increase in restricted cash, purchases of property and equipment and purchases of short-term investments.

Net cash provided by financing activities in the nine months ended September 30, 2007 was $6.1 million, due primarily to the net proceeds from our equity financing of $24.0 million, partially offset by principal payments under capital lease obligations and notes payable. Net cash provided by financing activities in the nine months ended September 30, 2006 was $11.0 million, and was primarily attributable to proceeds from the issuance of notes payable. Principal payments under capital lease obligations and notes payable increased from $0.6 million in the nine months ended September 30, 2006 to $17.9 million in the nine months ended September 30, 2007 due primarily to the payoff of the LPI note, the Orix term loan and the Orix revolving loan.

We expect that cash used in operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, subscription trends, accounts receivable collections and inventory management.

In September 2006, we entered into our Loan Agreement with Orix, which was amended in February 2007, May 2007 and June 2007. Pursuant to the Loan Agreement, we borrowed $7.5 million as a term loan and $3.0 million as a 24-month revolving loan in September 2006. The borrowings under the line of credit were limited to lesser of $3.0 million, which we had already drawn down, or 85% of qualifying accounts receivable. The term loan was payable in 48 consecutive monthly installments of principal beginning on November 1, 2006 together with interest at a rate of prime plus 5%. The term loan provided for a prepayment fee equal to 5% of the amount prepaid in connection with any prepayment made prior to September 27, 2007. The revolving loan bore interest at a rate of prime plus 1%. The Loan Agreement contained certain financial ratios, financial tests and liquidity covenants. The loans were secured by substantially all of our assets and all of the outstanding capital stock of all of our subsidiaries, except for the assets and capital stock of SpecPub, Inc., which were pledged as security for the LPI note.

We entered into a waiver and amendment to the Loan Agreement in May 2007 (the May Waiver), pursuant to which Orix waived defaults associated with our failure to meet certain financial tests and liquidity covenants. In consideration of the May Waiver, we, in addition to other commitments, agreed to maintain certain minimum cash balances, increase the interest rate on the term loan to prime plus 5% and committed to raise at least $15.0 million in new equity or subordinated debt. At that time, we also agreed to apply at least $3.0 million of the proceeds from that transaction to pay down the term loan. As part of the amendment in June 2007, the parties agreed to modify the requirement in the May Waiver for the commitment to raise new equity or subordinated debt to be for gross proceeds of at least $25.0 million, which could be completed in one or more closings, with the first closing for not less than $4.2 million in proceeds, if applicable, occurring no later than July 10, 2007, and the entire financing being completed no later than September 30, 2007. In addition, Orix consented to, among other things, certain limited prepayments with respect to our other indebtedness in the event of the first closing and prior to the completion of the entire financing. Orix also agreed to defer the payment of principal installments due on July 1, August 1 and September 1 with respect to its term loan for a deferral fee of $150,000. In July 2007, we completed a private placement financing with a group of investors for approximately $26.2 million in gross proceeds from the sale of approximately 2.3 million shares of our common stock and used a portion of the proceeds to repay, in full, the Orix term loan, the Orix revolving loan, the deferral fee and $0.3 million in prepayment fees.

During the nine months ended September 30, 2007, we invested $3.3 million in property and equipment of which $0.5 million was financed through capital leases. Of this investment, approximately 97% related to computer equipment and software and website development costs related to enhancements to our website infrastructure and features. For the remainder of fiscal 2007, we expect to continue investing in our technology development as we improve our online technology platform and enhance our features and functionality across our network of websites.

Our capital requirements depend on many factors, including growth of our revenues, the resources we devote to developing, marketing and selling our products and services, the timing and extent of our introduction of new features and services, the extent and timing of potential investments or acquisitions and other factors. We expect to devote substantial capital resources to expand our product development and marketing efforts and for other general corporate activities.

Based on our current and planned operations, we expect that our available funds, including the proceeds of our recent private placement financing, will be sufficient to meet our expected needs for working capital and capital expenditures for the next twelve

months. If we do not have sufficient cash available to finance our operations, we may be required to obtain additional public or private debt or equity financing. We cannot be certain that additional financing will be available to us on favorable terms when required or at all. If we are unable to raise sufficient funds, we may need to reduce our planned operations.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet liabilities or transactions as of September 30, 2007.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2007, and the effect that these obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

	Payments Due by Period				
	Total	**Remainder of 2007**	**2008-2009**	**2010-2011**	**2012 & After**
Contractual obligations:					
Capital leases	$ 2,467	$ 261	$ 1,789	$ 415	$ 2
Operating leases	13,378	705	5,841	5,766	1,066
Total contractual obligations	$ 15,845	$ 966	$ 7,630	$ 6,181	$ 1,068

Capital Leases. We hold property and equipment under noncancelable capital leases with varying maturities.

Operating Leases. We lease or sublease office space and equipment under cancelable and noncancelable operating leases with various expiration dates through December 31, 2012. Operating lease amounts include minimum rental payments under our non-cancelable operating leases for office facilities, as well as limited computer and office equipment that we utilize under lease arrangements. The amounts presented are consistent with contractual terms and are not expected to differ significantly, unless a substantial change in our headcount needs requires us to exit an office facility early or expand our occupied space.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities.

We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis on which we make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because this can vary in each situation, actual results may differ from the estimates under different assumptions and conditions.

Income Taxes

We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48) on January 1, 2007. We did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of implementing FIN 48.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. We are no longer subject to U.S. federal tax assessment for years before 2004. State jurisdictions that remain subject to assessment range from 2003 to 2007. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months.

Our policy is that we recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, we did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the first nine months of 2007. Our

effective tax rate differs from the federal statutory rate primarily due to increases in our deferred income tax valuation allowance.

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There have been no other significant changes in our critical accounting policies from those listed in our Form 10-K for the fiscal year ended December 31, 2006.

Seasonality and Inflation

We anticipate that our business may be affected by the seasonality of certain revenue lines. For example, print and online advertising buys are usually higher approaching year-end and lower at the beginning of a new year than at other points during the year, and sales on our e-commerce websites are affected by the holiday season and by the timing of the release of compilations of new seasons of popular television series and feature films.

Inflation has not had a significant effect on our revenue or expenses historically and we do not expect it to be a significant factor in the short-term. However, inflation may affect our business in the medium-term to long-term. In particular, our operating expenses may be affected by a tightening of the job market, resulting in increased pressure for salary adjustments for existing employees and higher cost of replacement for employees that are terminated or resign.

Recent Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159 (FAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* which is effective for fiscal years beginning after November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. We are currently evaluating the potential impact of FAS 159, but do not expect the adoption of FAS 159 to have a material impact on our consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157 (FAS 157), *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. FAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. FAS 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided the company has not yet issued financial statements, including for interim periods, for that fiscal year. We are currently evaluating the impact of FAS 157, but do not expect the adoption of FAS 157 to have a material impact on our consolidated financial position, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio primarily in money market funds.

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents and short-term investments. Our exposure to market risk for changes in interest rates relates primarily to our short-term investments. We consider investments in highly-liquid instruments purchased with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents. Investment securities with original maturities greater than three months and remaining maturities of less than one year are classified as short-term investments. A hypothetical 1% increase (or decrease) in interest rates would not materially increase (or decrease) our interest income.

Foreign Currency Risk

Our operations have been conducted primarily in United States currency and as such have not been subject to material foreign currency exchange rate risk. However, our international operations involve exposure to foreign currency fluctuations as well as other risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures and other regulations and restrictions such as requirements for substantial annual increases for all of our employees in certain foreign jurisdictions. Accordingly, our future results could be materially adversely impacted by changes in these or other factors. We translate income statement amounts that are denominated in foreign currency into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating costs and expenses and net income.

Conversely, our revenue, operating costs and expenses and net income will decrease when the U.S. dollar strengthens against foreign currencies. The effect of foreign exchange rate fluctuations for 2006 and the first nine months of 2007 was not material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that the required disclosure information in our Exchange Act reports is recorded, processed, summarized and reported timely as specified by SEC rules and forms, and that such information is communicated in a timely manner to our management, including our Chief Executive Officer and Chief Financial Officer.

We evaluated the effectiveness of the design and operation of disclosure controls and procedures as of September 30, 2007 under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, concluding that disclosure controls and procedures are effective at a reasonable assurance level based upon that evaluation.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2007, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are involved from time to time in various legal proceedings, regulatory investigations and claims incident to the normal conduct of business, which may include proceedings that are specific to us and others generally applicable to business practices within the industries in which we operate. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and on the results of operations in a particular quarter or year.

Item 1A. Risk Factors

We have a history of significant losses. If we do not regain and sustain profitability, our financial condition and stock price could suffer.

We have experienced significant net losses and we expect to continue to incur losses in the future. As of September 30, 2007, our accumulated deficit was approximately $81.4 million. Although we had positive net income in the year ended December 31, 2005, we experienced a net loss of $3.7 million for the year ended December 31, 2006 and a net loss of $43.1 million for the nine months ended September 30, 2007, and we may not be able to regain or sustain profitability in the near future, causing our financial condition to suffer and our stock price to decline.

If we are unable to generate revenue from advertising or if we were to lose our existing advertisers, our business will suffer.

Our advertising revenue is dependent on the budgeting, buying patterns and expenditures of advertisers which in turn are affected by a number of factors beyond our control such as general economic conditions, changes in consumer habits and changes in the retail sales environment. A decline or delay in advertising expenditures caused by such factors could reduce or hurt our ability to increase our revenue. Advertising expenditures by companies in certain sectors of the economy, such as the healthcare and pharmaceutical industry, currently represent a significant portion of our advertising revenue. Any political, economic, social or technological change resulting in a significant reduction in the advertising spending of this sector or other sectors could adversely affect our advertising revenue or our ability to increase such revenue.

Our advertising revenue is also dependent on the collective experience of our sales force and on our ability to recruit, hire, train, retain and manage our sales force. If we are unable to recruit for or retain our sales force, we may be unable to meet the demands of our current advertisers or attract new advertisers and our advertising revenue could decrease.

Additionally, advertisers and advertising agencies may not perceive the LGBT market that we serve to be a broad enough or profitable enough market for their advertising budgets, or may prefer to direct their online and print advertising expenditures to larger, higher-traffic websites and higher circulation publications that focus on broader markets. If we are unable to attract new advertisers or if our advertising campaigns are unsuccessful with the LGBT community, our revenue will decrease and operating results will suffer.

In our advertising business, we compete with a broad variety of online and print content providers, including large media companies such as Yahoo!, MSN, Time Warner, Viacom and News Corporation, as well as a number of smaller companies focused on the LGBT community. If we are unable to successfully compete with current and new competitors, we may not be able to achieve or maintain market share, increase our revenue or achieve and maintain profitability.

Our ability to fulfill the demands of our online advertisers is dependent on the number of page views generated by our visitors, members and subscribers. If we are not able to attract new visitors, members or subscribers or to retain our current visitors, members and subscribers, our page views may decrease. If our page views decrease, we may be unable to timely meet the demands of our current online advertisers and our advertising revenue could decrease.

If our advertisers perceive the advertising campaigns we run for them to be unsuccessful or if they do not renew their contracts with us, our revenue will decrease and operating results will suffer.

Our success depends, in part, upon the growth of Internet advertising and upon our ability to accurately predict the cost of customized campaigns.

Online advertising represents a significant portion of our advertising revenue. We compete with traditional media including television, radio and print, in addition to high-traffic websites, such as those operated by Yahoo!, Google, AOL and MSN, for a share of advertisers total online advertising expenditures. We face the risk that advertisers might find the Internet to be less effective than traditional media in promoting their products or services, and as a result they may reduce or eliminate their expenditures on Internet advertising. Many potential advertisers and advertising agencies have only limited experience advertising on the Internet and historically have not devoted a significant portion of their advertising expenditures to Internet advertising. Additionally, filter software programs that limit or prevent advertisements from being displayed on or delivered to a user s computer are becoming increasingly available. If this type of software becomes widely accepted, it would negatively affect Internet advertising. Our business could be harmed if the market for Internet advertising does not grow.

Currently, we offer advertisers a number of alternatives to advertise their products or services on our websites, in our publications and to our members, including banner advertisements, rich media advertisements, traditional print advertising, email campaigns, text links and sponsorships of our channels, topic sections, directories, sweepstakes, awards and other online databases and content. Frequently, advertisers request advertising campaigns consisting of a combination of these offerings, including some that may require custom development. If we are unable to accurately predict the cost of developing these custom campaigns for our advertisers, our expenses will increase and our margins will be reduced.

If our efforts to attract and retain subscribers are not successful, our revenue will decrease.

Because a significant portion of our revenue is derived from our subscription services, we must continue to attract and retain subscribers. Many of our new subscribers originate from word-of-mouth referrals from existing subscribers within the LGBT community. If our subscribers do not perceive our service offerings or publications to be of high quality or sufficient breadth, if we introduce new services or publications that are not favorably received or if we fail to introduce compelling new content or features or enhance our existing offerings, we may not be able to attract new subscribers or retain our current subscribers. In the year ended December 31, 2006, and in the nine months ended September 30, 2007, total subscription cancellations exceeded the number of new subscriptions, resulting in a decrease in total online subscribers, or members with a paid subscription plan.

Our current online content, shopping and personals platforms may not allow us to maximize potential cross-platform synergies and may not provide the most effective platform from which to launch new or improve current services for our members or market to them. If there is a further delay in our plan to improve and consolidate these platforms, and this delay continues to prevent or delay the development or integration of new features or enhancements to existing features, our online subscriber contraction could accelerate. As a result, our revenue would decrease. Our base of likely potential subscribers is also limited to members of the LGBT community, who collectively comprise a small portion of the general adult population.

While seeking to add new subscribers, we must also minimize the loss of existing subscribers. We lose our existing subscribers primarily as a result of cancellations and credit card failures due to expirations or exceeded credit limits. Subscribers cancel their subscription to our services for many reasons, including a perception, among some

subscribers, that they do not use the service sufficiently, that the service or publication is a poor value or that customer service issues are not satisfactorily resolved. We also believe that online customer satisfaction has suffered as a result of the presence in the chat rooms of our websites of adbots, which are software programs that create a member registration profile, enter a chat room and display third-party advertisements. Online members may decline to subscribe or existing online subscribers may cancel their subscriptions if our websites experience a disruption or degradation of services, including slow response times or excessive down time due to scheduled or unscheduled hardware or

software maintenance or denial of service attacks. We must continually add new subscribers both to replace subscribers who cancel or whose subscriptions are not renewed due to credit card failures and to continue to grow our business beyond our current subscriber base. If excessive numbers of subscribers cancel their subscription, we may be required to incur significantly higher marketing expenditures than we currently anticipate in order to replace canceled subscribers with new subscribers, which will harm our financial condition.

Our core revenue-generating software applications are written on a technology platform that has become increasingly difficult to support. As we convert our applications onto more stable, supportable platforms a process that requires time and financial investment we face the risk of not being able to maintain or enhance the functionality of our websites. As a result we may lose market share and our revenue may further decline.

Significant portions of our revenue-generating websites are written in internally developed code that lacks sufficient explanatory documentation, and in some instances, is understood by only a limited number of our technology personnel. All of our current functionality can be converted onto a code base and platform that are generally recognized as industry standard, and we are engaged in a significant effort to do so. However, our efforts to execute this conversion will require significant expenditures of personnel and financial resources over an extended period of time. Such an undertaking presents significant execution risks as we seek to maintain and enhance existing customer-facing functionality, while simultaneously building and supporting a new technological infrastructure. If we are unable to convert to a new technology platform or if we encounter technical difficulties during the conversion process, our websites may suffer downtime or may lack the functionality desired by our customers and subscribers. This in turn may result in the loss of those customers and subscribers, and a decline in our revenue.

We expect our operating results to fluctuate, which may lead to volatility in our stock price.

Our operating results have fluctuated in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. As a result, we believe that period-over-period comparisons of our operating results are not necessarily meaningful and that you should not rely on the results of one period as an indication of our future or long-term performance. Our operating results in future quarters may be below the expectations of public market analysts and investors, which may result in a decline in our stock price.

Our limited operating history makes it difficult to evaluate our business.

As a result of our recent growth and limited operating history, it is difficult to forecast our revenue, gross profit, operating expenses and other financial and operating data. Our inability, or the inability of the financial community at large, to accurately forecast our operating results could cause us to grow slower or our net profit to be smaller or our net loss larger than expected, which could cause a decline in our stock price.

If we fail to manage our growth, our business will suffer.

We have significantly expanded our operations to address current and future growth in our customer base and market opportunities. Our expansion has placed, and is expected to continue to place, a significant strain on our technological infrastructure, management, operational and financial resources. If we continue to expand, we may expend cash and create additional expenses, including additional investment in our technological infrastructure, which might harm our financial condition or results of operations. If despite such additional investments our technological infrastructure is unable to keep pace with the demands of our online subscribers and members, members using our online services may experience degraded performance and our online subscriber growth could further slow or decrease and our revenue may decline.

Recent and potential future acquisitions and divestitures could result in operating difficulties and unanticipated liabilities.

In November 2005, we significantly expanded our operations by acquiring substantially all of the assets of LPI. In March 2006, we acquired substantially all of the assets of RSVP. In June 2006, we largely completed the integration of the assets we acquired through the LPI and RSVP transactions by executing on a reorganization plan designed to better align our resources with our strategic business objectives that cut our global workforce by approximately 5%. In July 2007, we closed our international offices in Buenos Aires and London to streamline our business operations and reduce expenses. In addition, as part of our July 2007 financing, we are contractually obligated to use reasonable efforts to divest ourselves of our adult businesses by December 31, 2007. If we are unable to find a timely buyer on acceptable terms or on any terms at all, we could be in breach of our contractual obligations under the purchase

agreement associated with the July 2007 financing.

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In order to address market opportunities and potential growth in our customer base, we may consider additional expansion in the future, including possible additional acquisitions of third-party assets, technologies or businesses. Any potential acquisitions may involve the issuance of shares of stock that dilute the interests of our other stockholders, or require us to expend cash, incur debt or assume contingent liabilities. We may also consider divestitures of businesses that we conclude are likely to impair our future results, or which we deem no longer appropriate for our future business plans. For example, in October 2007, we agreed to sell substantially all of the assets of RSVP. Our acquisitions and divestitures and other potential future acquisitions and divestitures may be associated with a number of risks, including:

- potential goodwill write downs associated with acquisitions of businesses where the previously anticipated synergies of the combined entities had not been realized. For example, during the second quarter of fiscal 2007, we recorded an estimated impairment charge of $21.1 million due to lower revenue than expected related to our advertising business;
- the difficulty of integrating the acquired assets and personnel of the acquired businesses into our operations;
- the potential absorption of significant management attention and significant financial resources for the ongoing development of our business;
- the potential impairment of relationships with and difficulty in attracting and retaining employees of the acquired companies or our employees as a result of the integration of acquired businesses;
- the difficulty of integrating the acquired company s accounting, human resources and other administrative systems;
- the potential impairment of relationships with subscribers, customers and partners of the acquired companies or our subscribers, customers and partners as a result of the integration of acquired businesses or the divestiture of our prior businesses;
- the difficulty in attracting and retaining qualified management to lead the combined or retained businesses;
- the potential difficulties associated with entering new lines of business with which we have little experience, such as some of the businesses we acquired from LPI;
- the difficulty of complying with additional regulatory requirements that may become applicable to us as the result of an acquisition; and
- the impact of known or unknown liabilities associated with the acquired businesses.

If we are unable to successfully address these or other risks associated with our acquisition of LPI and divestiture of RSVP or potential future acquisitions and divestitures, we may be unable to realize the anticipated synergies and benefits of our acquisitions or replace the revenue from the divested businesses, which could adversely affect our financial condition and results of operations. In addition, the business we acquired from LPI is in a more mature market than our online businesses. The value of this new business to us depends in part on our expectation that by cross-marketing their services to our existing user, member and subscriber bases and advertisers, we can increase revenues in the acquired business. If this cross-marketing is unsuccessful, or if revenue growth in our acquired business is slower than expected, our financial condition and results of operations would be harmed.

If we do not continue to attract and retain qualified personnel, our business may suffer.

Our success depends on the collective experience of our senior executive team and board of directors and on our ability to recruit, hire, train, retain and manage other highly skilled employees and directors. Any disruptions from departures of our senior executives or key employees could harm our business and financial results or limit our ability

to grow and expand our business. We cannot provide assurance that we will be able to attract and retain a sufficient number of qualified employees or that we will successfully train and manage the employees that we do hire.

We may need additional capital and may not be able to raise additional funds on favorable terms or at all, which could limit our ability to continue operations and dilute the ownership interests of existing stockholders.

In July 2007, we completed a private placement financing, which resulted in significant dilution to our existing stockholders. We may need to raise additional capital to fund operating activities. In April 2006, we filed a shelf registration statement with the SEC for up to $75.0 million of common stock, preferred stock, debt securities and/or warrants to be sold from time to time at prices and on terms to be determined by market conditions at the time of offering. In addition, under the shelf registration statement some of our

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stockholders may sell up to 1.7 million shares of our common stock. However, we are not currently eligible to use the shelf registration statement for a primary offering of our securities due to lower than required market capitalization.

We cannot be certain that we will be able to obtain additional financing on commercially reasonable terms or at all. If we raise additional funds through the issuance of equity, equity-related or debt securities, these securities may have rights, preferences or privileges senior to those of the rights of our common stock, and our stockholders will experience further dilution of their ownership interests.

Any significant disruption in service on our websites or in our computer and communications hardware and software systems could harm our business.

Our ability to attract new visitors, members, subscribers, advertisers and other customers to our websites is critical to our success and largely depends upon the efficient and uninterrupted operation of our computer and communications hardware and software systems. Our systems and operations are vulnerable to damage or interruption from power outages, computer hardware and telecommunications failures, software failures, computer viruses, security breaches, catastrophic events, errors in installation, configuration and usage by our employees, errors in usage by our customers, risks inherent in upgrades and transitions to new hardware and software systems and network devices, or the failure of our third party vendors to perform their obligations for any reason, any of which could lead to interruption in our service and operations, and loss, misuse or theft of data. Our websites could also be targeted by direct attacks intended to cause a disruption in service or to siphon off customers to other Internet services. Among other risks, our chat rooms may be vulnerable to infestation by software programs or scripts that we refer to as adbots. An adbot is a software program that creates a member registration profile, enters a chat room and displays third-party advertisements. Our members email accounts could be compromised by phishing or other means, and used to send spam email messages clogging our email servers and disrupting our members ability to send and receive email. Any successful attempt by hackers to disrupt our websites services or our internal systems could harm our business, be expensive to remedy and damage our reputation, resulting in a loss of visitors, members, subscribers, advertisers and other customers.

If we are unable to compete effectively, we may lose market share and our revenue may decline.

Our markets are intensely competitive and subject to rapid change. Across both of our service lines, we compete with traditional media companies focused on the general population and the LGBT community, including local newspapers, national and regional magazines, satellite radio, cable networks and network, cable and satellite television shows. In our advertising business, we compete with a broad variety of online and print content providers, including large media companies such as Yahoo!, MSN, Time Warner, Viacom and News Corporation, as well as a number of smaller companies focused specifically on the LGBT community. In our subscription business, our competitors include these companies as well as other companies that offer more targeted online service offerings, such as Match.com, Yahoo! Personals, and a number of other smaller online companies focused specifically on the LGBT community. More recently, we have faced competition from the growth of social networking sites, such as MySpace and Facebook, that provide opportunity for online community for a wide variety of users, including the LGBT community. In our transaction business, we compete with traditional and online retailers. Most of these transaction service competitors target their products and services to the general audience while still serving the LGBT market. Other competitors, however, specialize in the LGBT market. If we are unable to successfully compete with current and new competitors, we may not be able to achieve or maintain adequate market share, increase our revenue or regain and maintain profitability.

We believe that the primary competitive factors affecting our business are quality of content and service, price, functionality, brand recognition, customer affinity and loyalty, ease of use, reliability and critical mass. Some of our current and many of our potential competitors have longer operating histories, larger customer bases and greater brand recognition in other business and Internet markets and significantly greater financial, marketing, technical and other resources than we do. Therefore, these competitors may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies or may try to attract readers, users or traffic by offering services for free and devote substantially more resources to developing their services and systems than we can. Increased competition may result in reduced operating margins, loss of market share and reduced revenue. Our ability to continue to offer increasingly competitive functional capabilities on our websites will also depend upon our

success in moving onto a more extensible core technology platform which will be costly and time-consuming.

If we are unable to protect our domain names, our reputation and brand could be harmed if third parties gain rights to, or use, these domain names in a manner that would confuse or impair our ability to attract and retain customers.

We have registered various domain names relating to our brands, including Gay.com, PlanetOut.com, Kleptomaniac.com, BuyGay.com, Out.com and Advocate.com. If we fail to maintain these registrations, a third party may be able to gain rights to or cause us to stop using these domain names, which will make it more difficult for users to find our websites and our service. The

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acquisition and maintenance of domain names are generally regulated by governmental agencies and their designees. The regulation of domain names in the United States may change in the near future. Governing bodies may designate additional top-level domains, such as .eu or .mobi, in addition to currently available domains such as .biz, .net or .tv, for example, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names. If a third party acquires domain names similar to ours and engages in a business that may be harmful to our reputation or confusing to our subscribers and other customers, our revenue may decline, and we may incur additional expenses in maintaining our brand and defending our reputation. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

If we fail to adequately protect our trademarks and other proprietary rights, or if we get involved in intellectual property litigation, our revenue may decline and our expenses may increase.

We rely on a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright and trade secret protection laws, to protect our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our brands and other intangible assets may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to subscribers and potential subscribers may become confused in the marketplace and our ability to attract subscribers and other customers may suffer, resulting in loss of revenue.

The Internet content delivery market is characterized by frequent litigation regarding patent and other intellectual property rights. As a publisher of online content, we face potential liability for negligence, copyright, patent or trademark infringement or other claims based on the nature and content of materials that we publish or distribute. For example, we have received, and may receive in the future, notices or offers from third parties claiming to have intellectual property rights in technologies that we use in our businesses and inviting us to license those rights. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity, and we may not prevail in any future litigation. We may also attract claims that our print and online media properties have violated the copyrights, rights of privacy, or other rights of others. Adverse determinations in litigation could result in the loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses from third parties or prevent us from licensing our technology or selling our products, any of which could seriously harm our business. An adverse determination could also result in the issuance of a cease and desist order, which may force us to discontinue operations through our website or websites. Intellectual property litigation, whether or not determined in our favor or settled, could be costly, could harm our reputation and could divert the efforts and attention of our management and technical personnel from normal business operations.

Existing or future government regulation in the United States and other countries could limit our growth and result in loss of revenue.

We are subject to federal, state, local and international laws, including laws affecting companies conducting business on the Internet, including user privacy laws, regulations prohibiting unfair and deceptive trade practices and laws addressing issues such as freedom of expression, pricing and access charges, quality of products and services, taxation, advertising, intellectual property rights, display and production of material intended for mature audiences and information security. In particular, we are currently required, or may in the future be required, to:

- conduct background checks on our members prior to allowing them to interact with other members on our websites or, alternatively, provide notice on our websites that we have not conducted background checks on our members, which may result in our members canceling their membership or failing to subscribe or renew their subscription, resulting in reduced revenue;

- provide advance notice of any changes to our privacy policies or to our policies on sharing non-public information with third parties, and if our members or subscribers disagree with these policies or changes, they

may wish to cancel their membership or subscription, which will reduce our revenue;

with limited exceptions, give consumers the right to prevent sharing of their non-public personal information with unaffiliated third parties, and if a significant portion of our members choose to request that we don t share their information, our advertising revenue that we receive from renting our mailing list to unaffiliated third parties may decline;

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provide notice to residents in some states if their personal information was, or is reasonably believed to have been, obtained by an unauthorized person such as a computer hacker, which may result in our members or subscribers deciding to cancel their membership or subscription, reducing our membership base and subscription revenue;

comply with current or future anti-spam legislation by limiting or modifying some of our marketing and advertising efforts, such as email campaigns, which may result in a reduction in our advertising revenue; for instance, two states recently passed legislation creating a do not contact registry for minors that would make it a criminal violation to send an email message to an address on that state s registry if the email message contained an advertisement for or even a link to a website that offered products or services that minors are prohibited from accessing;

comply with the European Union privacy directive and other international regulatory requirements by modifying the ways in which we collect and share our users personal information; if these modifications render our services less attractive to our members or subscribers, for example, by limiting the amount or type of personal information our members or subscribers could post to their profiles, they may cancel their memberships or subscriptions, resulting in reduced revenue;

qualify to do business in various states and countries, in addition to jurisdictions where we are currently qualified, because our websites are accessible over the Internet in multiple states and countries, which if we fail to so qualify, may prevent us from enforcing our contracts in these states or countries and may limit our ability to grow our business;

limit our domestic or international expansion because some jurisdictions may limit or prevent access to our services as a result of the availability of some content intended for mature viewing on some of our websites and through some of the businesses we acquired from LPI which may render our services less attractive to our members or subscribers and result in a decline in our revenue; and

limit or prevent access, from some jurisdictions, to some or all of the member-generated content available through our websites, which may render our services less attractive to our members or subscribers and result in a decline in our revenue. For example, in June 2005, the United States Department of Justice (the DOJ) adopted regulations purporting to implement the Child Protection and Obscenity Act of 1988, as amended (the CPO Act), by requiring primary and secondary producers, as defined in the regulations, of certain adult materials to obtain, maintain and make available for inspection specified records, such as a performer s name, address and certain forms of photo identification as proof of a performer s age. Failure to properly obtain, maintain or make these records available for inspection upon request of the DOJ could lead to an imposition of penalties, fines or imprisonment. We could be deemed a secondary producer under the CPO Act because we allow our members to display photographic images on our websites as part of member profiles. In addition, we may be deemed a primary producer under the CPO Act because a portion of one of the businesses we acquired in the LPI acquisition is involved in production of adult content. Enforcement of these regulations as to secondary producers was stayed pending resolution of a legal challenge on the grounds that the regulations exceed the DOJ s statutory authority to regulate secondary producers, among other grounds. In July 2006, the Adam Walsh Child Protection and Safety Act of 2006 (the Walsh Act) became law, amending the CPO Act by expanding the definition of the adult materials covered by the CPO Act and by requiring secondary producers

to maintain and make available specified records under the CPO Act. Additionally, in July 2006, the FBI began conducting CPO Act record inspections, including inspections of businesses that allegedly were secondary producers under the CPO Act. In March 2007, the court hearing the legal challenge to the CPO Act issued partial summary judgment in favor of the DOJ and requested further briefing on how the Walsh Act affected the stay on enforcement of the CPO Act against secondary producers. In April 2007, the court lifted the stay on enforcement against secondary producers. Additionally, in June 2007, the DOJ issued new proposed regulations to implement the Walsh Act and amended CPO Act. The public comment period for the proposed regulations closed in September 2007. It is anticipated that these new proposed regulations will be challenged in court on various constitutional grounds and that another stay against enforcement of these regulations will be sought. If the FBI continues to inspect businesses that are allegedly secondary producers and there are no legal challenges to the CPO Act, the Walsh Act or the new regulations purporting to implement these acts, or if these challenges are unsuccessful, we may be subject to significant and burdensome recordkeeping compliance requirements and we will have to evaluate and implement additional registration and recordkeeping processes and procedures, each of which would result in additional expenses to us. If our members and subscribers feel these additional restrictions or registration and recordkeeping processes and procedures are too burdensome, this is likely to result in an adverse impact on our subscriber growth and churn which, in turn, will have an adverse effect on our financial condition and results of operations. Alternatively, if we determine that the recordkeeping and compliance requirements would be too burdensome, we may be forced to limit the type of content that we allow our members to post to their profiles, which will result in a loss of features that we believe our members and subscribers find attractive, and in turn could result in a decline in our subscribers growth.

The restrictions imposed by, and costs of complying with, current and possible future laws and regulations related to our business could limit our growth and reduce our membership base, revenue and profit margins.

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The risks of transmitting confidential information online, including credit card information, may discourage customers from subscribing to our services or purchasing goods from us.

In order for the online marketplace to be successful, we and other market participants must be able to transmit confidential information, including credit card information, securely over public networks. Third parties may have the technology or know-how to breach the security of our customer transaction data. Any breach could cause consumers to lose confidence in the security of our websites and choose not to subscribe to our services or purchase goods from us. We cannot guarantee that our security measures will effectively prohibit others from obtaining improper access to our information or that of our users. If a person is able to circumvent our security measures, he or she could destroy or steal valuable information or disrupt our operations. Any security breach could expose us to risks of data loss, litigation and liability and may significantly disrupt our operations and harm our reputation, operating results or financial condition.

If we are unable to provide satisfactory customer service, we could lose subscribers.

Our ability to provide satisfactory customer service depends, to a large degree, on the efficient and uninterrupted operation of our customer service centers. Any significant disruption or slowdown in our ability to process customer calls resulting from telephone or Internet failures, power or service outages, natural disasters or other events could make it difficult or impossible to provide adequate customer service and support. Further, we may be unable to attract and retain adequate numbers of competent customer service representatives, which is essential in creating a favorable interactive customer experience. In July 2007, we closed our office in Argentina, as a result of which the number of customer service representatives and the hours of customer service representation were reduced. If due to this reduction or otherwise we are unable to continually provide adequate staffing for our customer service operations, our reputation could be harmed and we may lose existing and potential subscribers. In addition, we cannot assure you that email and telephone call volumes will not exceed our present system or staffing capacities. If this occurs, we could experience delays in responding to customer inquiries and addressing customer concerns.

We may be the target of negative publicity campaigns or other actions by advocacy groups that could disrupt our operations because we serve the LGBT community.

Advocacy groups may target our business through negative publicity campaigns, lawsuits and boycotts seeking to limit access to our services or otherwise disrupt our operations because we serve the LGBT community. These actions could impair our ability to attract and retain customers, especially in our advertising business, resulting in decreased revenue, and cause additional financial harm by requiring that we incur significant expenditures to defend our business and by diverting management s attention. Further, some investors, investment banking entities, market makers, lenders and others in the investment community may decide not to invest in our securities or provide financing to us because we serve the LGBT community, which, in turn, may hurt the value of our stock.

Adult content in our media properties may be the target of negative publicity campaigns or subject us to restrictive or costly regulatory compliance.

A portion of the content of our media properties is adult in nature. Our adult content increased significantly as a result of our November 2005 acquisition of assets from LPI, which included several adult-themed media properties. Advocacy groups may target our business through negative publicity campaigns, lawsuits and boycotts seeking to limit access to our services or otherwise disrupt our operations because we are a provider of adult content. These actions could impair our ability to attract and retain customers, especially in our advertising business, resulting in decreased revenue, and cause additional financial harm by requiring that we incur significant expenditures to defend our business and by diverting management s attention. Further, some investors, investment banking entities, market makers, lenders and others in the investment community may decide not to invest in our securities or provide financing to us because of our adult content, which, in turn, may hurt the value of our stock. Additionally, future laws or regulations, or new interpretations of existing laws and regulations, may restrict our ability to provide adult content, or make it more difficult or costly to do so, such as the Walsh Act, which became law in July 2006, and the regulations adopted by the DOJ in June 2005 purporting to implement the CPO Act.

If one or more states or countries successfully assert that we should collect sales or other taxes on the use of the Internet or the online sales of goods and services, our expenses will increase, resulting in lower margins.

In the United States, federal and state tax authorities are currently exploring the appropriate tax treatment of companies engaged in online commerce, and new state tax regulations may subject us to additional state sales and income taxes, which could increase our expenses and decrease our profit margins.

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In 2003, the European Union implemented new rules regarding the collection and payment of value added tax, or VAT. These rules require VAT to be charged on products and services delivered over electronic networks, including software and computer services, as well as information and cultural, artistic, sporting, scientific, educational, entertainment and similar services. These services are now being taxed in the country where the purchaser resides rather than where the supplier is located. Historically, suppliers of digital products and services that existed outside the European Union were not required to collect or remit VAT on digital orders made to purchasers in the European Union. With the implementation of these rules, we are required to collect and remit VAT on digital orders received from purchasers in the European Union, effectively reducing our revenue by the VAT amount because we currently do not pass this cost on to our customers.

We also do not currently collect sales, use or other similar taxes for sales of our subscription services or for physical shipments of goods into states other than California and New York. In the future, one or more local, state or foreign jurisdictions may seek to impose sales, use or other tax collection obligations on us. If these obligations are successfully imposed upon us by a state or other jurisdiction, we may suffer decreased sales into that state or jurisdiction as the effective cost of purchasing goods or services from us will increase for those residing in these states or jurisdictions.

We are exposed to pricing and production capacity risks associated with our magazine publishing business, which could result in lower revenues and profit margins.

We publish and distribute magazines, such as *The Advocate, Out, The Out Traveler* and *HIVPlus,* among others. The commodity prices for paper products have been increasing over recent years, and producers of paper products are often faced with production capacity limitations, which could result in delays or interruptions in our supply of paper. In addition, mailing costs have also been increasing, primarily due to higher postage rates. If pricing of paper products and mailing costs continue to increase, if we encounter shortages in our paper supplies, or if our third party vendors fail to meet their obligations for any reason, our revenues and profit margins could be adversely affected.

In the event of an earthquake, other natural or man-made disaster, or power loss, our operations could be interrupted or adversely affected, resulting in lower revenue.

Our executive offices and our data center are located in the San Francisco Bay area and we have significant operations in Los Angeles. Our business and operations could be disrupted in the event of electrical blackouts, fires, floods, earthquakes, power losses, telecommunications failures, acts of terrorism, break-ins or similar events. Because our California operations are located in earthquake-sensitive areas, we are particularly susceptible to the risk of damage to, or total destruction of, our systems and infrastructure. We are not insured against any losses or expenses that arise from a disruption to our business due to earthquakes. Further, the State of California has experienced deficiencies in its power supply over the last few years, resulting in occasional rolling blackouts. If rolling blackouts or other disruptions in power occur, our business and operations could be disrupted, and we will lose revenue.

Recent regulations related to equity compensation could adversely affect our ability to attract and retain key personnel.

We have used stock options and other long-term incentives as a fundamental component of our employee compensation packages. We believe that stock options and other long-term equity incentives directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain with our company. Several regulatory agencies and entities have adopted regulatory changes that could make it more difficult or expensive for us to grant stock options to employees. For example, the Financial Accounting Standards Board has adopted changes to the U.S. generally accepted accounting principles that require us to record a charge to earnings for employee stock option grants. In addition, regulations implemented by the Nasdaq Stock Market generally requiring stockholder approval for all stock option plans could make it more difficult for us to grant options to employees in the future. To the extent that new regulations make it more difficult or expensive to grant stock options to employees, we may incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, each of which could materially and adversely affect our business.

In the event we are unable to satisfy regulatory requirements relating to internal control over financial reporting, or if these internal controls are not effective, our business and our stock price could suffer.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive and costly evaluation of their internal controls. As a result, our management is required on an ongoing basis to perform an evaluation of our internal control over financial reporting and have our independent registered public accounting firm attest to such evaluations. Our efforts to comply with Section 404 and related regulations regarding our management s required assessment of internal control over financial reporting has

required, and will continue to require, the commitment of significant financial and managerial resources. If we fail to timely complete these evaluations, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls, which could have an adverse effect on our business and our stock price.

Our stock price may be volatile and you may lose all or a part of your investment.

Since our initial public offering in October 2004, our stock price has been and may continue to be subject to wide fluctuations. From October 14, 2004 through September 30, 2007, the closing sale prices of our common stock on the Nasdaq Stock Market ranged from $9.80 to $136.00 per share, after giving effect to our recently completed one-for-ten reverse stock split. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in our operating results, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors or analysts deem comparable to us and sales of stock by our existing stockholders.

In addition, the stock markets have experienced significant price and trading volume fluctuations, and the market prices of Internet-related and e-commerce companies in particular have been extremely volatile and have recently experienced sharp share price and trading volume changes. These broad market fluctuations may impact the trading price of our common stock. In the past, following periods of volatility in the market price of a public company s securities, securities class action litigation has often been instituted against that company. This type of litigation could result in substantial costs to us and a likely diversion of our management s attention.

The sales of common stock by our stockholders could depress the price of our shares.

If our stockholders sell substantial amounts of our common stock in the public market, the market price of our shares could fall. These sales might also make it more difficult for us to sell equity or equity related securities at a time and price that we would deem appropriate. For example, pursuant to the terms of our July 2007 private placement, we filed a registration statement registering for resale all of the common stock we issued in the private placement. Sales by these stockholders could have an adverse impact on the trading price of our common stock.

Our Stockholder Rights Plan, along with provisions in our charter documents and under Delaware law, could discourage a takeover that stockholders may consider favorable.

Our charter documents may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable because they:

- authorize our board of directors, without stockholder approval, to issue up to 5,000,000 shares of undesignated preferred stock;
- provide for a classified board of directors;
- prohibit our stockholders from acting by written consent;
- establish advance notice requirements for proposing matters to be approved by stockholders at stockholder meetings; and
- prohibit stockholders from calling a special meeting of stockholders.

As a Delaware corporation, we are also subject to Delaware law anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Additionally, our Stockholder Rights Plan adopted in January 2007 will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors. Our board of directors could rely on Delaware law or the Stockholder Rights Plan to prevent or delay an acquisition of us.

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

In July 2007, we closed our private placement financing with a group of accredited and institutional investors. We received an aggregate of approximately $26.2 million in gross proceeds from the sale of approximately 2.3 million shares of our common stock. We realized net proceeds of approximately $24.0 million from the private placement after deducting fees payable to the placement agent and other transaction costs. Allen & Company LLC acted as a placement agent for the transaction and received 6% of the proceeds for their services. The shares were issued in reliance on an exemption pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Regulation D thereunder.

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Stock repurchase activity during the three months ended September 30, 2007 was as follows:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2007 July 31, 2007		$		
August 1, 2007 August 31, 2007				
September 1, 2007 September 30, 2007				
Total		$		

(1) PlanetOut does not have any publicly announced plans or programs to repurchase shares of its common stock.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

A special meeting of stockholders was held on August 29, 2007 to approve amendments to our amended and restated certificate of incorporation to effect a reverse stock split of our outstanding common stock of not less than 1-for-5 and not more than 1-for-20 and to authorize our board of directors to select and file one such amendment to effect a reverse stock split within these parameters.

The stockholders voted to approve the amendment to our amended and restated certificate of incorporation to effect a reverse stock split of our outstanding common stock of not less than 1-for-5 and not more than 1-for-20 and to authorize our board of directors to select and file one such amendment to effect a reverse stock split within these parameters, as follows:

	Number of Votes For	Against	Abstain	Broker Non-Votes
Amendment to amended and restated certificate of incorporation	3,026,188	57,655	1,695	

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Documents

3.1	Amended and Restated Certificate of Incorporation, as currently in effect (filed as Exhibit 3.1 to our Current Report on Form 8-K, File No. 000-50879, filed on October 4, 2007, and incorporated herein by reference).
3.2	Amended and Restated Bylaws, as currently in effect (filed as Exhibit 3.4 to our Registration Statement on Form S-1, File No. 333-114988, initially filed on April 29, 2004, declared effective on October 13, 2004, and incorporated herein by reference).
4.1	Specimen of Common Stock Certificate (filed as Exhibit 4.1 to our Current Report on Form 8-K, File No. 000-50879, filed on October 4, 2007, and incorporated herein by reference).
4.2	Form of Senior Debt Indenture (filed as Exhibit 4.5 to our Registration Statement on Form S-3, File No. 333-133536, filed on April 25, 2006 and incorporated herein by reference).

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Exhibit Number	Description of Documents
4.3	Form of Subordinated Debt Indenture (filed as Exhibit 4.6 to our Registration Statement on Form S-3, File No. 333-133536, filed on April 25, 2006 and incorporated herein by reference).
4.4	Rights Agreement dated as of January 4, 2007 among PlanetOut Inc. and Wells Fargo Bank, N.A. (filed as Exhibit 99.2 to our Current Report on Form 8-K, File No. 000-50879, filed on January 8, 2007 and incorporated herein by reference).
4.5	Form of Rights Certificate (filed as Exhibit 99.3 to our Current Report on Form 8-K, File No. 000-50879, filed on January 8, 2007 and incorporated herein by reference).
4.6	Warrant Certificate issued to Allen & Company, LLC dated May 15, 2007 (filed as Exhibit 99.1 to our Current Report on Form 8-K, File No. 000-50879, filed on May 18, 2007 and incorporated herein by reference).
4.7	Amendment to Rights Agreement among PlanetOut Inc. and Wells Fargo Bank, N.A. dated June 28, 2007 (filed as Exhibit 4.7 to our Quarterly Report on Form 10-Q, File No. 000-50879, for the quarter ended June 30, 2007, and incorporated herein by reference).
10.24	Summary of Compensation Terms for Daniel Steimle (filed as Exhibit 99.1 to our Current Report on Form 8-K, File No. 000-50879, filed on October 4, 2007, and incorporated herein by reference).
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to the Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 18 U.S.C section 1350.
32.2	Certification of Chief Financial Officer pursuant to Section 18 U.S.C. section 1350.

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SIGNATURE

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

PLANETOUT INC.

Date: November 8, 2007

By: /s/ DANIEL E. STEIMLE

Daniel E. Steimle
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

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