PLANETOUT INC
Form S-4
January 15, 2009

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As filed with the Securities and Exchange Commission on January 15, 2009

Registration No. 333-

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HERE MEDIA INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**4841**	**26-3962587**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

10990 Wilshire Boulevard,
Penthouse
Los Angeles, CA 90024
(310) 806-4288
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Stephen P. Jarchow
Chairman
Here Media Inc.
10990 Wilshire Boulevard,
Penthouse
Los Angeles, CA 90024
(310) 806-4288
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Karen Magee
Chief Executive Officer
PlanetOut Inc.
1355 Sansome Street
San Francisco, CA 94111
(415) 834-6500

Michael J. Sullivan, Esq.
Howard Rice Nemerovski
Canady Falk & Rabkin,
A Professional Corporation
Three Embarcadero Center,
7th Floor San Francisco, CA 94111
(415) 434-1600

James R. Walther, Esq.
Mayer Brown LLP
350 South Grand Avenue,
25th Floor
Los Angeles, CA 90071-1503
(213) 229-9500

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company þ
(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value	20,878,770(1)	(2)	$12,276,716.76	$482.47
Special Stock, $0.001 par value	4,175,754(1)	(2)	(2)	(2)

(1) Based upon the maximum number of shares of capital stock expected to be issued in connection with the merger described herein.

(2) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(f). The registration fee was calculated in accordance with Rule 457(f)(1) and Rule 457(c), based on the price per unit equal to $0.49, which was the average of the high and low sale prices for shares of common stock of PlanetOut

Inc. on the Nasdaq Global Market on January 12, 2009:

(3) Includes the amount of the filing fee for the PlanetOut proxy statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the Registration Statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any jurisdiction in which the offer or sale would not be permitted.

SUBJECT TO COMPLETION, DATED JANUARY 15, 2009.

PROXY STATEMENT/PROSPECTUS

PROPOSED BUSINESS COMBINATION   YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

On January 8, 2009, PlanetOut Inc., Here Networks LLC and Regent Entertainment Media Inc. agreed to combine and establish a new holding company to be named Here Media Inc. PlanetOut will be merging with a subsidiary of Here Media, and all of the owners of Here Networks and Regent Entertainment Media will be contributing the stock and limited liability company interests in those companies to Here Media. We are proposing the transaction because we believe the combined strengths of our companies will enable us to achieve significant operating efficiencies and produce substantial benefits for clients and equityholders of all of the companies. As a stockholder of PlanetOut, we are asking for your support and for your vote in favor of the merger at our special meeting.

When the proposed business combination is completed:

- PlanetOut stockholders will receive one share of Here Media common stock, together with one share of Here Media special stock, as described in this document, for each share of PlanetOut common stock that the stockholder owns immediately prior to the effective time of the proposed business combination, which will result in former PlanetOut stockholders owning 20% of Here Media s outstanding common stock and 100% of its outstanding special stock following completion of the transaction; and

- the owners of Here Networks and Regent Entertainment Media will receive that number of shares of Here Media s common stock such that they will own 80% of Here Media s outstanding common stock following completion of the transaction.

PlanetOut has scheduled a special meeting of its stockholders on , 2009 to vote on the merger proposal. Regardless of the number of shares that you own or whether you plan to attend the meeting, it is important that your shares be represented and voted. Voting instructions are inside.

PlanetOut s board of directors has approved the merger agreement and determined that the merger is advisable and in the best interests of PlanetOut and its stockholders. Accordingly, PlanetOut s board of directors recommends that PlanetOut stockholders vote to adopt the merger agreement and approve the merger.

This document provides you with detailed information about the proposed business combination. We encourage you to read the entire document carefully.

Neither the Here Media common stock nor the Here Media special stock will be listed on any securities exchange or quoted on any automated quotation system. PlanetOut s common stock is currently traded on the Nasdaq Global Market under the symbol LGBT. Here Networks and Regent Entertainment Media are not publicly traded.

See Risk Factors beginning on page 7 of this document for a discussion of various risks you should consider in evaluating the proposed business combination.

Karen Magee
Chief Executive Officer
PLANETOUT INC.

This proxy statement/prospectus is dated February , 2009, and was first mailed to PlanetOut stockholders on or about February , 2009.

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PLANETOUT INC.
1355 SANSOME STREET
SAN FRANCISCO, CALIFORNIA 94111
(415) 834-6500

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On , 2009

TO OUR STOCKHOLDERS:

A special meeting of stockholders will be held on **,** , 2009 at a.m., local time, at our San Francisco offices, located at 1355 Sansome Street, San Francisco, California 94111. The purpose of this special meeting is: (1) to consider and vote upon a proposal to (i) adopt the Agreement and Plan of Merger, dated as of January 8, 2009, by and among PlanetOut Inc., Here Media Inc., HMI Merger Sub, and the HMI Owners and the HMI Entities signatory thereto and (ii) approve the merger of HMI Merger Sub with and into PlanetOut with PlanetOut surviving and becoming a wholly owned subsidiary of Here Media Inc., a newly formed holding company; and (2) to adjourn the meeting to a later date, if necessary.

We describe these items of business more fully in our proxy statement which we are sending to you along with this notice.

Our Board of Directors has fixed the close of business on , 2009 as the record date as of which we determine the stockholders who are entitled to receive this notice and to vote at our special meeting and at any adjournment or postponement of our special meeting.

By Order of the Board of Directors

TODD A. HUGE
Secretary

San Francisco, California
, 2009

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. IF YOU DO NOT RETURN THE ENCLOSED PROXY, YOU MAY VOTE YOUR SHARES ON THE INTERNET BY FOLLOWING THE INSTRUCTIONS ON YOUR PROXY OR BY TELEPHONE BY USING THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Why am I receiving these materials?

A: Here Networks LLC, a Texas limited liability company, and Regent Entertainment Media Inc., a Delaware corporation, collectively referred to in this document as the HMI Entities, and PlanetOut have agreed to combine their businesses. To achieve this, PlanetOut will merge with a wholly owned subsidiary of a newly formed holding company named Here Media Inc., and the owners of the HMI Entities will contribute all of the stock and limited liability company interests in those companies to Here Media. Through these transactions, PlanetOut and the HMI Entities will become wholly owned subsidiaries of Here Media. The merger cannot be completed without the approval of the stockholders of PlanetOut. We are sending you these materials to help you decide whether to approve the merger. ***If you do not vote your shares, the effect will be a vote against the merger.***

Unless the context indicates otherwise, references in this proxy statement/prospectus to PlanetOut mean PlanetOut Inc. and its subsidiaries, to HMI Entities mean Here Networks, LLC and Regent Entertainment Media Inc., and to HMI Owners mean Stephen P. Jarchow, Paul A. Colichman and Here Management LLC. In this proxy statement/prospectus, the Agreement and Plan of Merger, dated as of January 8, 2009, among PlanetOut, Here Media, HMI Merger Sub, which is a wholly owned subsidiary of Here Media referred to as the Merger Sub , and the HMI Owners and the HMI Entities signatory thereto is referred to as the merger agreement. The effective time of the merger of PlanetOut with the Merger Sub and the contribution of the stock and limited liability company interests of the HMI Entities to Here Media, which will all take place simultaneously, is referred to as the effective time of the proposed business combination or the effective time. The merger and the contribution are sometimes referred to in this document as the proposed business combination.

Q: Why is PlanetOut proposing the merger?

A: We are proposing the merger because we believe that the combined strengths of PlanetOut and the HMI Entities will enable us to achieve significant operating efficiencies and produce substantial benefits for our clients and equityholders. By combining the companies, we believe Here Media will create the potential for stronger operating results and a stronger financial position than PlanetOut and the HMI Entities could achieve on their own.

Q: What will I receive in the merger?

A: In the merger, each PlanetOut stockholder will receive one share of Here Media common stock, together with one share of Here Media special stock, referred to as special stock , for each share of PlanetOut common stock that the stockholder owns immediately prior to the effective time of the merger.

In exchange for their ownership interests in the HMI Entities that they will contribute to Here Media, the HMI Owners will receive the number of shares of Here Media common stock necessary to result in their owning 80% of Here Media s common stock following the proposed business combination.

Q: What is special stock?

A: Special stock is a capital stock of Here Media being issued in the merger only to the stockholders of PlanetOut for the purposes of providing a limited form of downside protection to them in the event of a liquidation, dissolution or winding up of Here Media that occurs within four years after the merger and in which the holders of Here Media common stock would, but for the effect of the special stock, receive less than $4.00 per share. In that event, the holders of special stock would be entitled to a priority claim on any liquidation proceeds otherwise distributable to holders of Here Media common stock in an amount such that the liquidation proceeds they receive, when added to the liquidation proceeds payable on an equal number of shares of Here Media common stock after giving effect to the liquidation priority of the special stock, would equal $4.00 per share of total liquidation proceeds, to the extent such funds are available after payments of all creditor claims and all liquidation preferences and accrued dividends payable to holders of preferred stock, if any. The $4.00 per share priority claim to liquidation proceeds is subject to possible adjustments in some events. A sale of Here Media for consideration consisting of at least 50% cash or publicly traded securities is considered a liquidation for purposes of the special stock. The special stock will be canceled four years from the date of issuance, or earlier in some circumstances. After completion of the proposed business combination, special stock will be transferable and freely tradable independent of Here Media common stock, but will not be listed on any stock exchange. Here Media does not expect that a regular trading market will develop for the special stock, and it does not intend to make efforts to promote the development of such a market.

Q: What percent of Here Media will be owned by current PlanetOut stockholders and current owners of the HMI Entities?

A: After the completion of the proposed business combination, current PlanetOut stockholders will own 20% of the common stock of Here Media and the current owners and members of the HMI Entities will own 80% of the common stock of Here Media. The current PlanetOut stockholders will also own 100% of Here Media s special stock, which will not have general voting rights.

Q: Will Here Media pay any dividends?

A: PlanetOut has not paid any cash dividends on its common stock, and Here Media does not anticipate paying any cash dividends on its common stock for the foreseeable future.

Q: Will my shares of Here Media common stock be listed?

A: Neither the Here Media common stock nor the Here Media special stock will be listed on any securities exchange or quoted on any automated quotation system.

Q: When do you expect the proposed business combination to be completed?

A: We are working to complete the proposed business combination as soon as possible. A number of conditions must be satisfied before we can complete the proposed business combination, including approval of the merger by stockholders of PlanetOut. We hope to complete the proposed business combination in the spring of 2009. However, we cannot assure you as to when or whether the proposed business combination will be completed. The merger agreement provides that it may be terminated by Here Media or Planet Out if the proposed business combination is not completed by April 30, 2009.

Q: Who will be the directors of Here Media following the proposed business combination?

A: Upon completion of the proposed business combination, Here Media s board of directors will consist of three members who will initially be Messrs. Jarchow and Colichman, who are the principal owners and executive officers of the HMI Entities, and Phillip S. Kleweno, who is currently chairman of the board of directors of PlanetOut.

Q: Who will be the members of Here Media s senior management following the proposed business combination?

A: Upon completion of the proposed business combination, Mr. Jarchow will be chairman of the board, Mr. Colichman will be chief executive officer and president, and Mr. Tony Shyngle will be chief accounting officer, of Here Media.

Q: Should I send in my stock certificates now?

A: *PlanetOut stockholders should not send their stock certificates now.* PlanetOut stockholders will receive a letter of transmittal form and written instructions for exchanging their stock certificates for Here Media common stock and special stock after the merger is completed. Stock certificates received without the letter of transmittal form will be returned to the stockholder submitting them, which could result in delay in receipt by such stockholders of the merger consideration for their stock.

Q: What do I need to do now?

A: After carefully reading this document, please submit a proxy for your shares as soon as possible. PlanetOut stockholders can submit a proxy by:

- using the toll-free phone number listed on their proxy cards and following the recorded instructions;
- going to the Internet website listed on their proxy cards and following the instructions provided; or
- completing and returning the proxy card.

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Q: When and where will PlanetOut stockholders meet?

A: PlanetOut will hold a special meeting of its stockholders on , 2009, at a.m., local time, at PlanetOut s San Francisco offices, located at 1355 Sansome Street, San Francisco, California 94111.

Q: Who can vote at the PlanetOut special meeting?

A: Only holders of record of PlanetOut common stock at the close of business on , 2009, which is the record date for the special meeting, are entitled to vote at the special meeting.

Q: What stockholder approval is needed?

A: The affirmative vote of the holders of at least a majority of the outstanding shares of PlanetOut common stock will be needed to approve the merger.

Q: If I am planning to attend the meeting in person, should I still grant my proxy?

A: Yes. Whether or not you plan to attend the meeting, you should grant your proxy as described above. Failure of a PlanetOut stockholder to vote in person or by proxy will have the same effect as a vote against the adoption of the merger agreement and approval of the merger. Submitting your proxy now will not prevent you from voting at the meeting, but will assure that your vote is counted if you become unable to attend.

Q: Can I change my vote after I have granted my proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the meeting by:

sending a written notice to the corporate secretary of PlanetOut before the meeting stating that you would like to revoke your proxy;

completing and signing a later-dated proxy card and returning it by mail prior to the meeting;

using the toll-free phone number or Internet website listed on the proxy card and following the instructions provided prior to , Pacific time, on the day prior to the meeting; or

attending the meeting and voting in person.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me without my instruction?

A: No. If your shares are held in street name by a broker, the broker may only vote the shares which it holds for you in accordance with your instructions. ***It is important that you instruct your broker by submitting your proxy promptly to ensure that all shares of PlanetOut common stock that you own are voted as you wish at the special meeting. To do so, you should follow the directions that your broker provides to you.***

Q: Will the merger be taxable to me?

A: The merger generally will not be taxable to PlanetOut stockholders. You should carefully read the description of material U.S. federal income tax consequences included in this document.

Q: Am I entitled to have my shares appraised if I dissent from the merger?

A: Yes. Under Delaware law, PlanetOut stockholders will have appraisal rights in connection with the merger, but only if they comply with the procedures described in this document.

Q: Whom do I call if I have further questions about voting, the special meeting or the proposed business combination?

A: If you have any questions about any of these matters, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact PlanetOut s Investor Relations at (415) 834-6389.

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No person is authorized to give any information or to make any representation with respect to the matters that this document describes other than those contained in this document and, if given or made, any such

information or representation must not be relied upon as having been authorized by PlanetOut, the HMI Entities or the HMI Owners. This document does not constitute an offer to sell or a solicitation of an offer to buy securities or a solicitation of a proxy in any jurisdiction in which, or to any person to whom, it is unlawful to make such an offer or a solicitation. Neither the delivery of this document nor any distribution of securities made under this document shall, under any circumstances, create an implication that there has been no change in the affairs of PlanetOut, Here Media or the HMI Entities since the date of this document or that the information contained in this document is correct as of any time subsequent to its date.

SUMMARY

This summary highlights information contained elsewhere in this proxy statement/prospectus. This summary is not complete and may not contain all the information that is important to you. To understand the merger agreement and the proposed business combination more fully, and for a more complete description of the legal terms of the merger agreement and the proposed business combination, you should carefully read this entire proxy statement/prospectus and the other documents attached as Annexes A through D hereto and those referred to herein.

Summary of Business of the Combined Company (See page [ ])

Here Media Inc. is a newly-formed company incorporated in Delaware in January 2009 in connection with the proposed business combination of PlanetOut and the HMI Entities. Here Media has not conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of this document. Upon completion of the proposed business combination, PlanetOut and the HMI Entities will each be a wholly owned subsidiary of Here Media. Here Media s executive offices are located at 10990 Wilshire Boulevard, Penthouse, Los Angeles, CA 90024, and its telephone number is (310) 806-4288.

PlanetOut is a leading media and entertainment company serving the lesbian, gay, bisexual and transgender, or LGBT, community through its flagship websites, Gay.com and PlanetOut.com. These websites provide revenues from advertising services and subscription services. PlanetOut s executive offices are located at 1355 Sansome Street, San Francisco, California 94111, and its telephone number is (415) 834-6500.

Here Networks offers original movies, series, documentaries and music specials tailored for the LGBT community on a subscription and transactional basis via cable television, direct-to-home (also referred to as DTH) satellite television, fiber-optic television and the Internet under the brand name here! . Here Networks has agreements with major cable, satellite and fiber-optic television operators in the United States, including Comcast, Cablevision, Time Warner, Charter, DirecTV, EchoStar, Verizon, AT&T and Cox. Here Networks video-on-demand and subscription video-on-demand (also referred to as VOD and SVOD) and/or regularly scheduled (also referred to as linear) television channel services were available through cable, satellite and fiber-optic television providers who served approximately 34 million domestic television households in the United States as of September 30, 2008, according to internal data based on reports provided by these operators. Here Networks generates revenue from the receipt of fees paid by its subscriber for its SVOD and linear television channel services and transactional fees paid by viewers of its VOD services. Here Networks executive offices are located at 10990 Wilshire Boulevard, Penthouse, Los Angeles, California 90024, and its telephone number is (310) 806-4288.

Regent Entertainment Media publishes magazines targeting the LGBT community in the United States. Its business consists of the former magazine publishing operations of PlanetOut that were conducted through LPI Media, Inc., substantially all of the assets and liabilities of which were acquired by Regent Entertainment Media from PlanetOut in August 2008. Regent Entertainment Media currently publishes three magazines on a regular basis, *The Advocate*, *Out* and *HIVPlus*. Regent Entertainment Media offers *Out* and *The Advocate* on a subscription basis, while it offers *HIVPlus* free to health care professionals and organizations. It also distributes digital editions of *Out* and *The Advocate*. Regent Entertainment Media s revenues are derived principally from subscriptions for its magazines and fees charged for advertising in its magazines. Regent Entertainment Media s executive offices are located at 10990 Wilshire Boulevard, Penthouse, Los Angeles, California 90024, and its telephone number is (310) 806-4288.

Here Media intends to continue the businesses currently conducted by PlanetOut and the HMI Entities and plans to expand in other areas of content production and distribution. PlanetOut and the HMI Entities currently are developing the integration plan for the combination of their businesses.

Structure of the Proposed Business Combination (See page [   ])

The proposed business combination will be accomplished in two concurrent steps. The first will be the merger of a wholly owned subsidiary of Here Media, named HMI Merger Sub, with and into PlanetOut, in which one share of Here Media common stock and one share of Here Media special stock will be issued in exchange for each outstanding share of PlanetOut common stock. PlanetOut will be the surviving corporation in the merger and the wholly owned subsidiary of Here Media. Concurrently with the merger, the HMI Owners will contribute their ownership interests in the HMI Entities consisting of stock and limited liability company interests constituting 100% ownership of the HMI Entities in exchange for Here Media common stock. Upon completion of the proposed business combination, the former PlanetOut stockholders will own 20% of the outstanding common stock and 100% of the outstanding special stock of Here Media, and the former HMI Owners will own 80% of the outstanding common stock of Here Media. Here Media s common stock will at that time be its only class of voting stock. The Here Media special stock will only have voting rights with respect to certain matters relating to preservation of the terms of the special stock.

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The following diagrams depict the structure of the proposed business combination and the structure of Here Media after completion of the transaction.

The Special Meeting of PlanetOut Stockholders (See page [ ])

Where and when: The PlanetOut special meeting will take place at PlanetOut Inc., 1355 Sansome Street, San Francisco, California, on , 2009, at a.m., local time.

What you are being asked to vote on: At the PlanetOut special meeting, PlanetOut stockholders will vote on the adoption of the merger agreement and the approval of the merger.

Who may vote: You may vote at the PlanetOut special meeting if you were the record holder of PlanetOut common stock at the close of business on the record date, , 2009. On that date, shares of PlanetOut common stock were outstanding and entitled to vote. You may cast one vote for each share of PlanetOut common stock that you owned on that date.

What vote is needed: The affirmative vote, cast in person or by proxy, of the holders of at least a majority of the shares of PlanetOut common stock outstanding on the record date is required for adoption of the merger agreement and approval of the merger.

Recommendation of PlanetOut s Board of Directors (See page [ ])

PlanetOut s board of directors has approved the merger agreement and determined that the merger agreement and the merger are advisable and in the best interests of PlanetOut and its stockholders. Accordingly, the board recommends that PlanetOut stockholders vote **FOR** the proposal to adopt the merger agreement and approve the merger.

PlanetOut s Reasons for the Merger (See page [ ])

PlanetOut s board of directors considered various factors in approving the proposed business combination and the merger agreement, including the anticipated synergies from the business combination with the HMI Entities, the complementary nature of their customer bases, the opportunity of PlanetOut s stockholders to become stockholders of a company with more diverse product offerings and other matters referred to under The Proposed Business Combination Recommendation of PlanetOut s Board of Directors and The Proposed Business Combination PlanetOut s Reasons for the Merger sections of this document.

The HMI Entities Reasons for the Contribution (See page [ ])

The HMI Entities believe their combination with PlanetOut will significantly increase their content distribution capabilities by giving them access to one of the largest and most well-known online destinations for the LGBT community and that there are strategic benefits to combining their existing content and technology with PlanetOut s critical mass of online subscribers and website visitors. In addition to the perceived strategic benefits to the combination, the HMI Entities believe the proposed business combination offers opportunities for substantial cost savings because they have existing staff that can perform many of the functions currently performed by PlanetOut employees, particularly in the areas of content production, sales and information technology. See The Proposed Business Combination The HMI Entities Reasons for the Contribution.

Opinions of PlanetOut s Financial Advisors (See page [ ])

In connection with their consideration and approval of the proposed business combination, the PlanetOut board of directors received opinions from Allen & Company LLC and Viant Capital LLC, which are referred to in this document as Allen and Viant, respectively, that as of the date of the opinions, the merger consideration described in the merger agreement, to be received by holders of PlanetOut common stock, is fair from a financial point of view to PlanetOut s stockholders. The opinions of Allen and Viant were provided to the PlanetOut board of directors in connection with their evaluation of the merger consideration to be paid and the resulting exchange ratio and do not address any other aspect of the merger agreement or the merger and do not constitute a recommendation to any stockholder as to how to vote or act with respect to any matter relating to the merger agreement or the merger. Each holder of PlanetOut common stock should read the complete opinions of Allen and Viant carefully and in their entirety to understand the assumptions made, procedures followed, matters considered and limitations on the review undertaken with regard to the opinions. Copies of the Allen and Viant opinions are attached to this proxy statement/prospectus as Annex A and B, respectively. Allen was paid $400,000 for the delivery of the opinion described above. In connection with its financial advisory services provided in connection with the proposed business combination, and conditioned on its completion, Allen will be paid a cash fee equal to $1,000,000 (the success fee). The $400,000 already paid to Allen is creditable against any success fee paid subsequently. In addition, Allen received warrants to purchase 75,000 shares of PlanetOut common stock and will be paid up to $75,000 for its expenses. Allen and its affiliates own approximately 5.7% of PlanetOut s common stock. Viant was paid $200,000 for the delivery of the opinion described above at the time of such delivery.

Directors and Senior Management of Here Media Following the Proposed Business Combination (See page [ ])

Upon completion of the proposed business combination, Here Media s board of directors will consist of three members who will initially be Messrs. Jarchow and Colichman, both of whom are executive officers and principal owners of the HMI Entities, and Mr. Kleweno, who is currently chairman of the board of PlanetOut. Mr. Jarchow will be chairman of the board, Mr. Colichman will be chief executive officer and president, and Mr. Shyngle will be chief accounting officer, of Here Media.

Interests of Directors, Executive Officers and Principal Stockholders in the Merger (See page [ ])

Some of the directors and executive officers of PlanetOut have interests in the merger that are different from, or are in addition to, the interests of PlanetOut s stockholders. These interests include, in the case of Mr. Kleweno, his position as a director of Here Media following the proposed business combination, acceleration of vesting of restricted stock awards as a result of the merger, potential severance and other benefit payments in the event of termination of employment in connection with the merger, and the right to continued indemnification and insurance coverage by Here Media for acts or omissions occurring prior to the merger. The board of directors of PlanetOut was aware of these interests and considered them in approving the merger. On December 31, 2008, PlanetOut directors, executive officers and their affiliates owned approximately 1.7% of PlanetOut common stock entitled to vote on adoption of the merger agreement and approval of the merger.

Material U.S. Federal Income Tax Consequences (See page [ ])

In the opinions of Howard Rice Nemerovski Canady Falk & Rabkin, A Professional Corporation (Howard Rice), tax counsel to PlanetOut, and Mayer Brown LLP, tax counsel to Here Media, subject to the qualifications and limitations contained in such opinions, the merger and the contribution, taken together, will qualify as an exchange described in Section 351 of the Internal Revenue Code of 1986, as amended. Moreover, Howard Rice is of the opinion that, with possible exceptions, no gain or loss will be recognized by a holder of PlanetOut common stock upon such holder s receipt of Here Media common stock and special stock in exchange for PlanetOut common stock in the merger. A more detailed description of the anticipated material income tax consequences of the proposed business combination, including some possible exceptions, is set forth under the caption The Proposed Business Combination Material U.S. Federal Income Tax Consequences.

Market Prices of PlanetOut Common Stock (See page [ ])

PlanetOut common stock is traded on the Nasdaq Global Market under the symbol LGBT. The closing per share sale price of PlanetOut common stock was as follows:

- $0.74 on January 8, 2009, which was the last full trading day before PlanetOut and the HMI Entities announced the proposed business combination; and

- $ on , 2009, which is the record date.

For the 52-week period ended , 2009, the highest and lowest closing per share sale price of PlanetOut common stock was $ and $, respectively.

The Merger Agreement (See page [ ])

The merger agreement is attached to this proxy statement/prospectus as Annex C. You are encouraged to read the merger agreement in its entirety. It is the principal document governing the proposed business combination. In addition, the merger agreement is discussed in detail beginning on page **[ ]**.

Comparison of Rights of PlanetOut and Here Media Stockholders (See page [ ])

Some of the rights of PlanetOut stockholders are different from those of Here Media stockholders. See the Comparative Rights of PlanetOut Stockholders Prior to and After the Merger section of this document for more information.

Comparative Historical and Pro Forma Per Share Data

The following table presents unaudited historical per share data for PlanetOut and pro forma per share data of Here Media after giving effect to the proposed business combination. The Here Media pro forma per share data was derived by combining information from the historical consolidated financial statements of PlanetOut and the HMI Entities using the purchase method of accounting for the merger and the contribution. Here Networks is a privately-held single-member LLC. Regent Entertainment Media is privately-held corporation, all of the outstanding shares of which are owned by two individuals. Therefore, earnings (losses) or book value per share data is not meaningful and has not been presented for these entities. You should read this table in conjunction with the historical audited and unaudited consolidated financial statements of PlanetOut and the HMI Entities and pro forma financial statements and footnotes only contained elsewhere in this document. You should not rely on the pro forma per share data as being necessarily indicative of actual results that would have occurred had the merger and the contribution been completed in the past, or of future results.

	Year Ended December 31, 2007	Nine Months Ended September 30, 2008
PlanetOut Comparative Per Share Data		
Loss per common share from continuing operations - basic and diluted	$ (4.75)	$ (1.15)
Cash dividends per common share	$	$
Weighted average shares outstanding basic and diluted	2,876	4,053
Book value per common share at end of period	$ 6.08	$ 2.77
Shares used to compute book value per share	4,096	4,089
Pro Forma Condensed Consolidated Comparative Per Share Data		
Loss per common share from continuing operations basic and diluted	$ (3.30)	$ (0.92)
Cash dividends per common share	$	
Weighted average shares outstanding basic and diluted	16,355	16,355
Book value per common share at end of period		$ 0.82
Shares used to compute book value per share		16,355

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RISK FACTORS

Risks Relating to the Proposed Business Combination

In addition to the other information included in this proxy statement/prospectus, PlanetOut stockholders should carefully consider the following risks relating to the proposed business combination.

The value of the Here Media stock you receive upon completion of the merger may be less than the value of your PlanetOut common stock as of the date of the merger agreement or on the date of the special meeting.

The value of PlanetOut common stock as of the date of the merger agreement or on the date of the PlanetOut special meeting may not be indicative of the price of Here Media common stock after the proposed business combination is completed. The value of shares of PlanetOut common stock may vary significantly between the date of this proxy statement/prospectus, the date of the special meeting and the date of the completion of the proposed business combination. These variations may result from, among other factors, changes in the businesses, results of operations and prospects of the companies, market expectations of the likelihood that the proposed business combination will be completed and the timing of completion, the prospects of post-combination operations, general market and economic conditions and other factors. The stock exchange ratio for the proposed business combination is fixed and will not be adjusted based on any change in the PlanetOut stock price or the value of the stock and the limited liability company interests of the HMI Entities (which are not publicly traded) before completion of the proposed business combination.

PlanetOut stockholders will have greatly reduced ownership and voting interests in Here Media and will be able to exercise less influence over management following the proposed business combination.

Immediately after completion of the proposed business combination, based on the exchange ratios provided for in the merger agreement, the pre-transaction PlanetOut stockholders will collectively own 20%, and the pre-transaction owners of the HMI Entities will collectively own 80% of the outstanding shares of Here Media common stock. While the pre-transaction PlanetOut stockholders will own 100% of the outstanding special stock of Here Media, the holders of special stock will not have voting rights in their capacities as such, except for certain matters relating to potential changes in the terms of the special stock. Consequently, stockholders of PlanetOut will be able to exercise less influence, collectively, over the management and policies of Here Media than they currently exercise over the management and policies of PlanetOut.

Here Media may fail to realize the anticipated benefits of the proposed business combination.

Here Media s future success will depend in significant part on its ability to realize the cost savings, operating efficiencies and new revenue opportunities that it expects to result from the integration of the businesses of PlanetOut and the HMI Entities. Here Media s operating results and financial condition will be adversely affected if Here Media is unable to integrate successfully the operations of PlanetOut and the HMI Entities, fails to achieve or achieve on a timely basis such anticipated synergies, or incurs unforeseen costs and expenses or experiences unexpected operating difficulties that offset anticipated cost savings. In particular, the integration of PlanetOut and the HMI Entities may involve, among other matters, integration of sales, marketing, content creation, billing, accounting, quality control, management, personnel, payroll, regulatory compliance, network infrastructure and other systems and operating hardware and software, some of which may be incompatible and therefore may need to be replaced. Successful integration of the operations, products and personnel of PlanetOut and the HMI Entities may place a significant burden on Here Media s management and internal resources. The diversion of management s attention and any difficulties encountered in the transition and integration process could harm Here Media s business, financial condition and results of operations.

Here Media common stock will not be listed on any securities exchange following the completion of the proposed business combination, which may result in limited liquidity for its stockholders.

Prior to the proposed business combination, there has been no public market for Here Media common stock. PlanetOut s common stock is currently listed for trading on The Nasdaq Global Market, although PlanetOut was notified by Nasdaq on August 11, 2008 that PlanetOut s common stock failed to meet the minimum market value of $5 million for publicly held shares and that PlanetOut would have until April 30, 2009 to meet the requirements or the shares would be delisted from The Nasdaq Global Market. In addition, PlanetOut common stock has been trading below the Nasdaq s $1.00 minimum trading price. While this requirement has been suspended by Nasdaq through April 19, 2009, there can be no assurance that after that date, PlanetOut would be able to comply with the minimum bid price or the minimum market value of publicly held shares.

Neither the Here Media common stock nor the Here Media special stock will be listed on any securities exchange or quoted on any automated quotation system following the completion of the proposed business combination. While Here Media intends to take steps to facilitate quotation of prices for its common stock on the OTC Bulletin Board if one or more brokerage firms indicate interest in providing such quotations, Here Media cannot assure you that an active trading market will develop or be sustained for Here Media common stock. This could result in limited liquidity and make trading more difficult for Here Media stockholders, leading to lower trading volumes and declines in share price. In addition, while the Here Media special stock will not be subject to restrictions on transfer, that stock is proposed to be issued to PlanetOut s stockholders in the merger solely for the purpose of providing a limited-priority claim to certain liquidation proceeds that might otherwise be payable to other holders of common stock in the event of liquidation of Here Media within four years after completion of the proposed business transaction, and Here Media does not expect that any trading market will develop for the Here Media special stock.

PlanetOut will be subject to business uncertainties and contractual restrictions while the merger is pending that could adversely affect its business.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on PlanetOut and, consequently, on Here Media. Although PlanetOut intends to take actions to reduce any adverse effects, these uncertainties may impair its ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with PlanetOut to seek to change existing business relationships. Employee retention may be particularly challenging during the pendency of the merger, as employees may experience uncertainty about their future roles with Here Media. If, despite PlanetOut s retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Here Media, Here Media s business could be seriously harmed.

The merger agreement restricts PlanetOut from taking specified actions until the proposed business combination occurs or the merger agreement terminates. These restrictions may prevent PlanetOut from pursuing otherwise attractive business opportunities and making other changes to its business that may arise before completion of the proposed business combination or, if the proposed business combination is abandoned, termination of the merger agreement.

Failure to complete the proposed business combination could negatively affect PlanetOut.

If the proposed business combination is not completed for any reason, PlanetOut may be subject to a number of material risks, including the following:

- it will not realize the benefits expected from becoming part of a combined company, including a potentially enhanced competitive and financial position;

the trading price of PlanetOut s common stock may decline to the extent, if any, that the current market price of the common stock reflects a market assumption that the proposed business combination will be completed;

current and prospective employees may experience uncertainty about their future roles with PlanetOut, which may adversely affect the ability of PlanetOut to attract and retain key management, marketing and technical personnel;

in preparation for the proposed business combination, PlanetOut may take actions with respect to its business that it would not have taken if it was continuing to operate on a stand-alone basis;

costs related to the proposed business combination, such as legal, accounting and some financial advisory fees, must be paid even if the proposed business combination is not completed; and

PlanetOut will be required to raise additional capital to continue operating as a stand-alone company, which could result in substantial dilution to existing PlanetOut stockholders or increased interest and other costs, and such additional capital may not be available on acceptable terms, or at all, especially in view of the current market conditions.

The ownership of 80% of Here Media s common stock by the pre-transaction owners of the HMI Entities, and provisions in Here Media s certificate of incorporation and Here Media s bylaws, may prevent takeover attempts that could be beneficial to Here Media s other stockholders.

Immediately following completion of the proposed business combination, and unless and until substantial additional shares of common stock or other voting securities are issued to other persons in future acquisitions or financing or for other purposes, the pre-transaction owners of the HMI Entities will own 80% of the Here Media common stock, which will be Here Media s only class of voting securities. In particular, Here Management LLC, which is 51%-owned by Mr. Jarchow and 35%-owned by Mr. Colichman, will own 75% of the Here Media common stock outstanding following the proposed business combination, and Mr. Jarchow will hold 3% and Mr. Colichman will hold 2% of the outstanding common stock directly.

Provisions of Here Media s certificate of incorporation and provisions of Here Media s bylaws could discourage a takeover of Here Media even if a change of control of Here Media would be beneficial to the interests of its stockholders. These charter provisions include the following:

a requirement that Here Media s board of directors be divided into three classes, with one-third of the directors to be elected each year;

authorization of Here Media s board of directors, without stockholder approval, to issue up to shares of undesignated preferred stock;

a prohibition on stockholders calling a special meeting of stockholders;

advance notice requirements for proposing matters to be approved by stockholders at stockholder meetings; and

supermajority voting requirements (two-thirds of outstanding shares) for amendment of the bylaws or certain provisions of the certificate of incorporation.

The interests of Here Media s principal stockholders may differ from the interests of Here Media s other stockholders.

Upon completion of the proposed business combination, as a result of their direct and indirect ownership of common stock of Here Media, Messrs. Jarchow and Colichman will be able to determine all matters requiring approval by a majority of Here Media s stockholders, including the election of directors. As directors and executive officers of Here Media, they will also have control over the day-to-day operations of the company. The interests of Messrs. Jarchow and Colichman, or either of them, may differ significantly from the interests of Here Media s other stockholders.

Messrs. Jarchow and Colichman also control Regent Studios LLC, Regent Worldwide Sales LLC and Regent Releasing LLC, upon which Here Networks has depended for a substantial majority of its programming to date. Following the consummation of the proposed business combination, Messrs. Jarchow and Colichman may be subject to conflicts of interest with respect to the pricing or availability, including renewal of existing program licenses, of any programming supplied by entities under their control to Here Networks in the future. Moreover, if any of the entities under Mr. Jarchow s or Mr. Colichman s control or all or part of the film libraries of those entities were to be sold, there can be no assurance that Here Media would be able to obtain programming from those entities following any such sale. Here Media s inability to obtain programming from these related parties or to find a third-party supplier of programming could have a material adverse effect on its operations. In addition, although Here Media believes that the program license agreements between Here Networks and its related parties have been negotiated as arms -length transactions, Here Media cannot assure you that it could independently produce or obtain programming from a third-party on terms and conditions, including cost, as favorable as those that Here Networks has historically received from the related parties.

The special stock will provide only limited downside protection to its holders.

The special stock is intended to provide a limited form of downside protection to its holders if a liquidation, dissolution or winding up of Here Media occurs within four years after the proposed business combination in which the holders of Here Media common stock would, but for the effect of the special stock, receive less than $4.00 per share. In that event, the holders of special stock will have a priority claim on any liquidation proceeds in an amount such that the liquidation proceeds they receive, when added to the liquidation proceeds payable on an equal number of shares of Here Media common stock after giving effect to the liquidation priority of the special stock, would equal $4.00 of total liquidation proceeds, to the extent such funds are available after payments of all creditor claims and all liquidation preferences and accrued dividends payable to holders of any preferred stock. A sale of Here Media for consideration consisting of at least 50% cash or publicly traded securities that is a change of control , as defined by the SEC, will be considered a liquidation for purposes of the special stock, but a sale of Here Media consisting mostly of other consideration (such as securities that are not publicly traded or other non-cash property) would not be considered a liquidation, and would not trigger the protections of the special stock. In addition, the special stock will be canceled in the event of a public offering (or a private investment in public equity, or PIPE, transaction) of Here Media at a price of at least $4.00 per share that results in gross proceeds to Here Media of at least $20 million. The acquisition of Here Media by a special purpose acquisition company or similar transaction, as determined by Here Media s Board of Directors, other than an acquisition solely for cash, that values Here Media s common stock at a price of at least $4.00 per share will also result in the cancellation of the special stock. The $4.00 per share priority claim to liquidation proceeds is subject to possible adjustments in some events. Here Media has the ability to issue other classes or series of stock that may be senior in liquidation or other rights to the special stock, and those issuances could reduce or eliminate the protections of the special stock. There can be no assurance that a transaction to sell Here Media will meet the requirements of the liquidation provisions of the special stock, or that the special stock will not be canceled (through the expiration of its four-year term or through a public offering or PIPE transaction as described above) prior to a liquidation or sale of Here Media.

Risks Relating to the Business of the Combined Company

PlanetOut and the HMI Entities each have histories of significant losses. If Here Media does not attain and sustain profitability, its financial condition and stock price could suffer.

PlanetOut experienced losses from continuing operations of $2.2 million and $13.7 million for the years ended December 31, 2006 and 2007, respectively, and a loss from continuing operations of $4.7 million for the nine months ended September 30, 2008.

Here Networks experienced net losses of $13.3 million and $12.7 million for the years ended December 31, 2006 and 2007, respectively, and a net loss of $1.3 million for the nine months ended September 30, 2008, which reported amounts do not include income tax or benefits due to the fact that Here Networks is a limited liability company that has elected to be treated as a partnership for income tax purposes, rather than as a corporation or other separately-taxable entity. Regent Entertainment Media experienced losses from continuing operations of $0.3 million and $23.6 million for the years ended December 31, 2006 and 2007, respectively, and a loss from continuing operations of $5.0 million for the nine months ended September 30, 2008.

In addition, Here Media expects development, sales and other operating expenses to increase in the future as it expands its business, including its new motion picture production business. If Here Media s revenue does not grow to offset these expected increased expenses, Here Media may not be profitable. In fact, in future quarters Here Media may not have any revenue growth and its revenues could decline. Furthermore, if Here Media s operating expenses exceed its expectations, its financial performance will be adversely affected and Here Media may continue to incur significant losses in the future.

Here Media may require additional capital, which may not be available, particularly under current capital and credit market conditions.

Here Media s operations require significant amounts of cash. Here Media may be required to seek additional capital, whether from sales of equity or debt in order to fund its ongoing operations and for the future growth and development of its business, including its planned motion picture production business. Here Media can give no assurance that such additional equity or debt capital will be available to it on acceptable terms, or at all. Adverse capital and credit market conditions may significantly affect Here Media s access to cost of capital. This could result in substantial increases in interest expense and substantial dilution of the common stockholders equity interest in Here Media.

Here Media s success is dependent upon audience acceptance of its programming and other entertainment content, which is difficult to predict.

The production and distribution of television programs, motion pictures and other entertainment content are inherently risky businesses. The revenue Here Media derives and its ability to distribute its content will depend primarily on consumer tastes and preferences that change in often unpredictable ways. The success of Here Media s businesses will depend on its ability to acquire and create content and programming that consistently meet the changing preferences of viewers in general, viewers in the LGBT community and other niche markets, and viewers in specific demographic categories. The commercial success of Here Media s programming and other content will also depend on the quality and acceptance of competing programs and other content available in the applicable marketplace at the same time. Other factors, including the availability of alternative forms of entertainment and leisure time activities, general economic conditions, piracy, digital and on-demand distribution and growing competition for consumer discretionary spending may also affect the audience for Here Media s content. Audience sizes for its media network are critical factors that will affect both the volume and pricing of advertising revenue that Here Media receives and the extent of distribution and license fees Here Media receives from distributors.

The entertainment and media programming industries are increasingly competitive industries.

The entertainment and media programming industries in which Here Media will operate are highly competitive. Here Media will compete with other programming networks for distribution and viewers, including a number of companies with much greater financial and other resources, such as Viacom, Time Warner and News Corporation. Here Media s here! Network also competes for viewers with other forms of media entertainment, such as broadcast television, home video, movies, live events, periodicals, console games and online and mobile activities. In addition, there has been consolidation in the media industry, and Here Media s competitors include other market participants with interests in multiple media businesses with longer histories of vertical integration. Here Media s ability to compete successfully depends on a number of factors, including its ability to consistently supply high quality and popular content, access its niche viewerships with appealing category-specific programming, adapt to new technologies and distribution platforms and achieve widespread distribution. There can be no assurance that Here Media will be able to compete successfully in the future against existing or new competitors, or that increasing competition will not have a material adverse effect on its business, financial condition or results of operations.

Here Networks depends substantially on a limited number of cable television operators.

Here Networks is dependent on viewers of a limited number of cable television operators for a substantial portion of its revenues. For the nine months ended September 30, 2008, 89.0% of Here Networks subscription and transaction revenue was attributable to viewers of a total of five operators, and the top three of these accounted for 39.3%, 21.3% and 17.2%, respectively, of revenue. Here Networks currently has agreements in place with these operators that expire or are subject to renewal at various times, beginning in 2010 through 2012. There is no assurance that these agreements will be renewed in the future on terms, including pricing, acceptable to Here Networks, or at all. Further, these agreements generally provide that the operator has the right to discontinue carrying a particular Here Networks service (such as VOD, SVOD or linear television channel services) on any operator system or, in some cases, terminate the agreement, subject to giving specified notice to Here Networks. The loss of one or more of its significant operators or the loss of carriage on any significant operator system could have an adverse effect on Here Networks business, financial condition and results of operations. In addition, further consolidation among cable and DTH satellite operators and increased vertical integration of such distributors into the cable or broadcast television businesses could adversely affect Here Networks ability to negotiate favorable terms for distribution of its program services. Further, since Here Networks accounts receivable are concentrated in a relatively small number of operators, a significant change in the liquidity, financial position, or issues regarding timing of payments of any one of these operators could have a material adverse impact on the collectibility of its accounts receivable, revenues recorded and future results of operations.

If Here Media is unable to generate revenue from advertising or if it loses existing PlanetOut or Regent Entertainment Media advertisers, its business will suffer.

Here Media s advertising revenue will be dependent on the budgeting, buying patterns and expenditures of advertisers which in turn are affected by a number of factors 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 Here Media s ability to increase its revenue. For example, the recent economic downturn has significantly affected the advertising market as a whole, and if the decrease in advertising expenditures persist, Here Media s business will be adversely affected.

Here Media s advertising revenue will be also dependent on the collective experience of its sales force and on its ability to recruit, hire, train, retain and manage the sales force. If Here Media is unable to recruit or retain its sales force, it may be unable to meet the demands of its advertisers or attract new advertisers and its advertising revenue could decrease.

Additionally, advertisers and advertising agencies may not perceive the LGBT market that Here Media will serve to be sufficiently broad or profitable 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 Here Media is unable to attract new advertisers, or if its advertising campaigns are unsuccessful with the LGBT community, Here Media s revenue will decrease and operating results will suffer.

In its advertising business, Here Media will compete with a broad variety of online and print content providers, including large media companies such as Yahoo!, Google, MSN, Time Warner, Viacom (including its Logo properties), Condé Nast, IAC and News Corporation, as well as a number of smaller companies focused on the LGBT community. If Here Media is unable to compete successfully with current and new competitors, it may not be able to achieve or maintain market share, increase its revenue or achieve profitability.

Here Media s ability to fulfill the demands of its online advertisers will be dependent on the number of page views generated by its visitors, members and subscribers. If Here Media is not able to attract new visitors, members or subscribers or to retain PlanetOut s current visitors, members and subscribers, its page views may decrease. If its page views decrease, Here Media may be unable to timely meet the demands of its current online advertisers and its advertising revenue could decrease.

Here Media s success will depend, in part, upon the growth of Internet advertising and upon its ability to predict the cost of customized campaigns.

Online advertising is expected to represent a significant portion of Here Media s advertising revenue. Here Media will 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. Here Media faces the risk that advertisers may 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 were to become widely accepted, it would negatively affect Internet advertising.

Here Media plans to offer advertisers a number of alternatives to advertise their products or services on its websites, in its publications and to its members, including banner advertisements, rich media advertisements, traditional print advertising, email campaigns, text links and sponsorships of its 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 Here Media is unable accurately to predict the cost of developing custom advertising campaigns for its advertisers, its revenue may decrease, its expenses may increase and its margins will be reduced.

If Here Media s efforts to attract and retain subscribers are not successful, its revenue will decrease.

Because a significant portion of Here Media s revenue is expected to be derived from its subscription services, Here Media must attract and retain subscribers. Many of the new subscribers originate from word-of-mouth referrals within the LGBT community. If the subscribers do not perceive Here Media s service offerings or publications to be of high quality or sufficient breadth, if new services or publications are not favorably received or if Here Media fails to introduce compelling new content or features or enhance its existing offerings, it may not be able to attract new subscribers or retain current subscribers. In addition, PlanetOut s and the HMI Entities historic base of likely potential subscribers has been limited to members of the LGBT community, who collectively comprise an estimated 6-7% of the general adult population based on those persons who have self-identified as lesbian, gay, bisexual or transgender. Here Media intends to identify and market to additional niche interest groups to expand its business. Here Media cannot assure you, however, that it will be successful in doing so.

While seeking to add new subscribers, Here Media must also minimize the loss of existing subscribers. In the year ended December 31, 2007 and the nine months ended September 30, 2008, PlanetOut s total subscription cancellations exceeded the number of new subscriptions, resulting in a decrease in total online subscribers, or members with a paid subscription plan. Historically, PlanetOut has lost its existing subscribers primarily as a result of cancellations and credit card failures due to expirations or exceeded credit limits. Subscribers cancel their subscription to 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. Online members may decline to subscribe or existing online subscribers may cancel their subscriptions if Here Media 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. Here Media 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 its business beyond its current subscriber base. If excessive numbers of subscribers cancel their subscription, Here Media may be required to incur significantly higher marketing expenditures than currently anticipated in order to replace canceled subscribers with new subscribers, which will harm its financial condition.

Increased programming production and content costs may adversely affect Here Media s results of operations and financial condition.

One of the most significant areas of expense for Here Media will be for the licensing and production of content. In connection with creating original content, Here Media will incur production costs associated with, among other things, acquiring new show concepts and engaging creative talent, including actors, writers and producers. The costs of producing programming have generally increased in recent years. These costs may continue to increase in the future, which may adversely affect Here Media s results of operations and financial condition.

PlanetOut s and the HMI Entities limited operating history makes it difficult to evaluate their business.

As a result of PlanetOut s and the HMI Entities limited operating histories, it is difficult to forecast Here Media s revenue, gross profit, operating expenses and other financial and operating data. Here Media s inability, or the inability of the financial community at large, to accurately forecast its operating results could cause it to grow slower or its net profit to be smaller or its net loss larger than expected, which could cause a decline in its stock price.

Disruption or failure of satellites and facilities, and disputes over supplier contracts on which Here Media depends to distribute its programming could adversely affect its business.

Here Media will depend on transponders on satellite systems to transmit its media network to cable television operators and other distributors. The distribution facilities include uplinks, communications satellites and downlinks. Here Media obtains satellite transponder capacity pursuant to a contract with a third-party vendor. Even with back-up and redundant systems, transmissions may be disrupted as a result of local disasters or other conditions that may impair on-ground uplinks or downlinks, or as a result of an impairment of a satellite. Currently, there are a limited number of communications satellites available for the transmission of programming. If a disruption or failure occurs, Here Media may not be able to secure alternate distribution facilities in a timely manner, which could have a material adverse effect on its business and results of operations.

Here Media must respond to and capitalize on rapid changes in new technologies and distribution platforms, including their effect on consumer behavior, in order to remain competitive and exploit new opportunities.

Technology in the video, telecommunications and data services industry is rapidly changing. Here Media must adapt to advances in technologies, distribution outlets and content transfer and storage to ensure that its content remains desirable and widely available to its audiences while protecting its intellectual property interests. Here Media may not have the right, and may not be able to secure the right, to distribute some of its licensed content across these, or any other, new platforms and must adapt accordingly. The ability to anticipate and take advantage of new and future sources of revenue from these technological developments will affect Here Media s ability to expand its business and increase revenue. If Here Media is unable to capitalize on technological advances, Here Media s competitive position may be harmed, and there could be a negative effect on its business.

Here Media s operations could be harmed if it lost the services of certain of its personnel.

Here Media s business will depend significantly on the efforts, abilities and expertise of its senior executives, particularly Messrs. Jarchow and Colichman. These individuals are important to Here Media s success because they have been instrumental in establishing its strategic direction, operating several of its constituent businesses and identifying new business opportunities. In addition, their knowledge and experience in the motion picture industry are critical to the development of Here Media s planned motion picture studio business. The loss of either or both of these key individuals could impair Here Media s business and development until qualified replacements are found. Here Media cannot assure you that these individuals could be quickly replaced with persons of equal experience and capabilities.

Financial market conditions may impede access to or increase the cost of financing Here Media s operations and investments.

The recent changes in U.S. and global financial and equity markets, including market disruptions and substantial tightening of the credit markets, may make it difficult for Here Media to obtain financing for its operations or investments or substantially increase the cost of obtaining financing. Here Media s ability to engage in its planned motion picture production business will be highly dependent on its ability to finance the production of theatrical and television motion pictures. Here Media cannot assure you that such financing will be available on acceptable terms, if at all. If Here Media were to 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 Here Media common stock, and the stockholders will experience dilution of their ownership interests. If Here Media is unable to raise additional financing when needed, it could be forced to engage in dispositions of assets or businesses on unfavorable terms, or consider curtailing or ceasing operations.

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

Here Media s ability to attract new visitors, members, subscribers, advertisers and other customers to its websites is critical to its success and largely depends upon the efficient and uninterrupted operation of its computer and communications hardware and software systems. These 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 design, installation, configuration and usage by employees, errors in usage by customers, risks inherent in upgrades and transitions to new hardware and software systems and network devices, or the failure of third-party vendors to perform their obligations for any reason, any of which could lead to interruption in Here Media s service and operations, and loss, misuse or theft of data. Here Media s 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, Here Media s chat rooms may be vulnerable to infestation by software programs or scripts referred to as adbots. An adbot is a software program that creates a member registration profile, enters a chat room and displays third-party advertisements. Any successful attempt by hackers to disrupt Here Media websites services or its internal systems could harm its business, be expensive to remedy and damage its reputation, resulting in a loss of visitors, members, subscribers, advertisers and other customers.

If Here Media is unable to compete effectively, it may lose market share and its revenue may decline.

Here Media s markets are intensely competitive and subject to rapid change. Across its service lines, Here Media will 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 its advertising business, Here Media will compete with a broad variety of online and print content providers, including large media companies such as Yahoo!, Google, MSN, Time Warner, Viacom (including its Logo properties), Condé Nast and News Corporation, as well as a number of smaller companies focused specifically on the LGBT community. In its online subscription business, Here Media s 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, PlanetOut has faced competition from the growth of social networking sites, such as MySpace and Facebook, that provide opportunity for an online community for a wide variety of users, including the LGBT community. If Here Media is unable to compete successfully with current and new competitors, it may not be able to achieve or maintain adequate market share, increase its revenue or attain and maintain profitability.

Here Media s efforts to develop new products and services for evolving markets are subject to a number of factors beyond Here Media s control.

There are substantial uncertainties associated with Here Media s efforts to develop new products and services for evolving markets, and substantial investments may be required. Initial timetables for the introduction and development of new products and services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as the development of competitive alternatives, rapid technological change, regulatory changes and shifting market preferences, may cause new markets to move in unanticipated directions.

Here Media s reputation and brand could be harmed if it is unable to protect its domain names and third parties gain rights to, or use, these domain names in a manner that confuses or impairs Here Media s ability to attract and retain customers.

Here Media will have rights to various domain names relating to its brands, including Gay.com, PlanetOut.com, Out.com, Advocate.com and Heretv.com. If Here Media fails to maintain these domain name registrations, a third party may be able to prohibit Here Media from using these domain names, which will make it more difficult for users to find its websites and its service. The 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 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, Here Media may be unable to acquire

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or maintain exclusive rights to relevant domain names. If a third party acquires domain names similar to Here Media s names and engages in a business that may be harmful to Here Media s reputation or confusing to its subscribers and other customers, Here Media s revenue may decline, and it may incur additional expenses in maintaining its brands and defending its reputation. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Here Media may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of its trademarks and other proprietary rights.

If Here Media fails to protect its trademarks and other proprietary rights, or if it gets involved in intellectual property litigation, its revenue may decline and its expenses may increase.

The success of Here Media s business will depend in part on its ability to maintain the intellectual property rights of its entertainment content. Here Media relies on a combination of confidentiality and license agreements with its employees, consultants and third parties with whom it has relationships, as well as trademark, copyright and trade secret protection laws, to protect its proprietary rights. If the protection of its proprietary rights is inadequate to prevent use or appropriation by third parties, the value of Here Media s brands and other intangible assets may be diminished, competitors may be able to more effectively mimic its service and methods of operations, the perception of its business and service to subscribers and potential subscribers may become confused in the marketplace and its 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, Here Media faces potential liability for negligence, copyright, patent or trademark infringement or other claims based on the nature and content of materials that it publishes or distributes. For example, historically, PlanetOut has received, and Here Media may receive in the future, notices or offers from third parties claiming to have intellectual property rights in technologies that Here Media would use in its businesses and inviting it to license those rights. Litigation may be necessary in the future to enforce Here Media s intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity, and Here Media may not prevail in any future litigation. Here Media may also attract claims that its print and online media properties have violated the copyrights, rights of privacy, or other rights of third parties. Adverse determinations in litigation could result in the loss of its proprietary rights, subject Here Media to significant liabilities, and require it to seek licenses from third parties or prevent it from licensing its technology or selling its products, any of which could seriously harm its business. An adverse determination could also result in the issuance of a cease and desist order, which may force Here Media to discontinue operations through its website or websites. Intellectual property litigation, whether or not determined in one s favor or settled, could be costly, could harm Here Media s reputation and could divert the efforts and attention of its management and technical personnel from normal business operations.

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

Here Media will 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, Here Media will be required, or may in the future be required, to:

comply with a law enacted in New Jersey in January 2008, or other similar laws which may be passed in the future, requiring it to conduct background checks on its members prior to allowing them to interact with other members on its websites or, alternatively, provide notice on its websites that it has not conducted background checks on its members, which may result in its members canceling their membership or failing to subscribe or renew their subscription, resulting in reduced revenue;

provide advance notice of any changes to its privacy policies or to its policies on sharing non-public information with third parties, and if its members or subscribers disagree with these policies or changes, they may wish to cancel their membership or subscription, which will reduce its 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 its members choose to request that it does not share their information, the advertising revenue that Here Media would receive from renting its mailing list to unaffiliated third parties may decline;

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 its members or subscribers deciding to cancel their membership or subscription, reducing its membership base and subscription revenue;

comply with current or future anti-spam legislation by limiting or modifying some of its marketing and advertising efforts, such as email campaigns, which may result in a reduction in its advertising revenue; for instance, two states have 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 it collects and shares its users personal information; if these modifications render its services less attractive to its members or subscribers, for example, by limiting the amount or type of personal information its 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 it is currently qualified, because its websites are accessible over the Internet in those states and countries, which, if it fails to so qualify, may prevent Here Media from enforcing its contracts in these states or countries and may limit its ability to grow its business;

limit its domestic or international expansion because some jurisdictions may limit or prevent access to its services as a result of the availability of some content intended for mature viewing which may render its services less attractive to its members or subscribers and result in a decline in its revenue; and

limit or prevent access, from some jurisdictions, to some or all of the member-generated content available through its websites, which may render its services less attractive to its members or subscribers and result in a decline in its revenue. For example, regulations adopted by the United States Department of Justice (the DOJ) under the Child Protection and Obscenity Act of 1988 (the CPO Act) require primary and secondary producers, as defined in the regulations, of certain adult materials to obtain 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. Here Media could be deemed a secondary producer under the CPO Act because it allows its members to display photographic images on its websites as part of member profiles. While the CPO Act and related regulations have been the subject of extensive litigation challenging their constitutionality, they remain in effect in modified form. Here Media may accordingly be subject to significant and burdensome recordkeeping compliance requirements and will have to evaluate and implement additional registration and recordkeeping processes and procedures, each of which would result in additional expenses or in fines or other sanctions in the event of noncompliance. If Here Media s 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 subscriber growth which, in turn, will have an adverse effect on Here Media s financial condition and results of operations. Alternatively, if Here Media determines that the recordkeeping and compliance requirements would be too burdensome, it may be forced to limit the type of content that it allows its members to post to their profiles, which will result in a loss of features that it believes its members and subscribers find attractive, and in turn could result in a decline in subscriber growth.

The risks of transmitting confidential information online, including credit card information, may discourage customers from subscribing to Here Media s services.

In order for the online marketplace to be successful, Here Media 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 customer transaction data. Any breach could cause consumers to lose confidence in the security of Here Media s websites and choose not to subscribe to its services. A security breach could also expose Here Media to risks of data loss, litigation and liability and may significantly disrupt its operations and harm its reputation, operating results or financial condition. Here Media cannot guarantee that its security measures will effectively prohibit others from obtaining improper access to its information or that of its users.

Here Media could lose subscribers if it is unable to provide satisfactory customer service.

Here Media s ability to provide satisfactory customer service depends, to a large degree, on the efficient and uninterrupted operation of its customer service operations. Any significant disruption or slowdown in its 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, Here Media may be unable to attract and retain adequate numbers of competent customer service representatives, which is essential in creating a favorable interactive customer experience. If Here Media is unable to provide adequate staffing for its customer service operations, its reputation could be harmed and it may lose existing and potential subscribers. In addition, Here Media cannot guarantee that email and telephone call volumes will not exceed its present system or staffing capacities. If this occurs, it could experience delays in responding to customer inquiries and addressing customer concerns.

Here Media may be the target of negative publicity campaigns or other actions by advocacy groups that could disrupt its operations because it serves the LGBT community.

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

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

In the United States, federal and state tax authorities are currently seeking to apply their taxing jurisdiction to remote sellers of goods and services and expand the scope of the taxes imposed on such entities, including companies engaged in online commerce. The application of existing and new state tax obligations may subject Here Media to additional state sales and income taxes, which could give rise to material liabilities for which no reserves have been established and lower its sales, increase its expenses and decrease its profit margins on a prospective basis.

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, PlanetOut was required to collect and remit VAT on digital orders received from purchasers in the European Union, effectively reducing its revenue by the VAT amount because it did not pass this cost on to its customers.

PlanetOut also did not collect sales, use or other similar taxes for sales of its 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 Here Media on a retroactive or prospective basis. If these obligations are successfully imposed upon Here Media by a state or other jurisdiction, it may incur liabilities for which no reserves have been established as well as suffer decreased sales into that state or jurisdiction as the effective cost of purchasing goods or services from it will increase for those residing in these states or jurisdictions.

Here Media is exposed to pricing and production capacity risks associated with its magazine publishing business, which could result in lower revenues and profit margins.

Here Media will publish and distribute magazines, such as *The Advocate, Out* 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 Here Media s 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 Here Media encounters shortages in its paper supplies, or if its third-party vendors fail to meet their obligations for any reason, Here Media s revenues and profit margins could be adversely affected.

FORWARD-LOOKING STATEMENTS

Some of the statements under Summary, Risk Factors, Information About Here Media, Information About PlanetOut Information About Here Networks, Information About Regent Entertainment Media and elsewhere in this proxy statement/prospectus constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, financial position, levels of activity, performance or achievements of Here Media, PlanetOut or the HMI Entities to be materially different from any future results, financial position, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as anticipate, believe, could, estimate, expect, intend, may, pl should, will and would or similar words. You should read statements that contain these words carefully because they discuss the companies future expectations, contain projections of the companies future results of operations or of the companies financial positions, or state other forward-looking information. We believe that it is important to communicate this information to you. However, there may be events in the future that Here Media, PlanetOut and the HMI Entities are not able to control or predict accurately. The risks described under Risk Factors, as well as any cautionary language in this proxy statement/prospectus, provide examples of risks, uncertainties and events that may cause the companies actual results to differ materially from the expectations that Here Media, PlanetOut and the HMI Entities describe in the forward-looking statements. These risks, uncertainties and events include, but are not limited to:

- competition in the markets in which the companies operate;
- the ability of the companies to raise capital in the future;
- the ability of the companies to manage and expand their business;

changes in customer preferences and the ability of the companies to adapt the companies product and service offerings;

changes in laws and regulations;

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- other domestic and global economic, business, competitive and regulatory factors affecting the companies businesses generally, including a continuation of the current economic downturn or further deterioration in the economy; and

- effects of natural catastrophes, terrorism and other business interruptions.

You should be aware that the occurrence of the events described in these risk factors and elsewhere in this proxy statement/prospectus could have a material adverse effect on the business, results of operations and financial position of the companies.

We cannot guarantee future results, financial position, levels of activity, performance or achievements. You should not place undue reliance on the forward-looking statements included in this proxy statement/prospectus, which apply only as of the date of this proxy statement/prospectus. We expressly disclaim any duty to update the forward-looking statements, and the estimates and assumptions associated with them, after the date of this proxy statement/prospectus to reflect changes in circumstances or expectations or the occurrence of unanticipated events, except to the extent required by applicable securities laws.

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THE PLANETOUT SPECIAL MEETING

General

PlanetOut is soliciting the enclosed proxy on behalf of its board of directors for use at its special meeting of stockholders, which it will hold on , 2009, at a.m., local time, or at any adjournment or postponement of its special meeting. The purposes of PlanetOut s special meeting are described in both this proxy statement and its notice of special meeting that it is sending to you along with this proxy statement. PlanetOut s special meeting will be held at its San Francisco offices, located at 1355 Sansome Street, San Francisco, California 94111. PlanetOut intends to mail this proxy statement along with the proxy card on or about , 2009 to all stockholders entitled to vote at its special meeting.

Solicitation

PlanetOut will bear the entire cost of solicitation of proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information it furnishes to you. PlanetOut will furnish copies of solicitation materials to banks, brokerage houses, fiduciaries and custodians who hold in their names shares of its common stock which are beneficially owned by others so that they may forward the solicitation materials to the beneficial owners. PlanetOut may reimburse persons who represent beneficial owners of its common stock for their costs of forwarding solicitation materials. PlanetOut may supplement the original solicitation of proxies by mail by other methods such as telephone, electronic mail or personal solicitation by its directors, officers or its other employees. PlanetOut will not pay additional compensation to its directors, officers or its other employees for these services.

Voting Information

Who may vote? You may vote if you owned shares of PlanetOut s common stock at the close of business on , 2009. You may vote each share that you owned on that date on each matter presented at the meeting. As of , 2009, we had shares outstanding entitled to one vote per share.

What am I voting on? You are voting on:

- a proposal to (i) adopt the Agreement and Plan of Merger, dated as of January 8, 2009, by and among PlanetOut, Here Media, Merger Sub, and the HMI Owners and the HMI Entities signatory thereto and (ii) approve the merger of Merger Sub with and into PlanetOut with PlanetOut surviving and becoming a wholly owned subsidiary of Here Media, a newly formed holding company; and

- a proposal to adjourn the meeting to a later date, if necessary.

What vote is required? A majority of our outstanding shares of common stock entitled to vote must be present in person or represented by proxy to hold the meeting. The affirmative vote of the holders of at least a majority of the outstanding shares of PlanetOut common stock will be needed to approve the merger. A majority of the shares of common stock present in person or represented by proxy is necessary to approve an adjournment of the meeting.

Unless you specify otherwise when you submit your proxy, the proxies will vote your shares of common stock FOR both proposals.

How do I vote? There are three ways to vote by proxy:

by calling the toll-free telephone number on the proxy;

by using the Internet; or

by returning the enclosed letter proxy in the envelope provided.

Voting Via the Internet or by Telephone

You may grant a proxy to vote your shares by means of the telephone or on the Internet. The law of the State of Delaware, under which PlanetOut is incorporated, specifically permits electronically transmitted proxies, if the proxy contains or is submitted with information from which the inspectors of election can determine that the proxy was authorized by you.

The telephone and Internet voting procedures below are designed to authenticate stockholders identities, to allow you to grant a proxy to vote your shares and to confirm that your instructions have been recorded properly. If you are granting a proxy to vote via the Internet, you should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that you will be responsible for paying.

For Shares Registered in Your Name

Stockholders of record may grant a proxy to vote shares of PlanetOut s common stock by using a touch-tone telephone to call 1-800-560-1965 or via the Internet by accessing the website *www.eproxy.com/lgbt*. You will be required to enter a series of numbers that are located on your proxy card and the last four digits of your social security number or tax identification number. If voting via the Internet, you will then be asked to complete an electronic proxy card. Your votes will be generated on the computer screen and you will be prompted to submit or revise them as desired. Votes submitted by telephone or via the Internet must be received before a.m., Pacific Time, on , 2009. Submitting your proxy by telephone or via the Internet will not affect your right to vote in person should you decide to attend the special meeting.

For Shares Registered in the Name of a Broker or Bank

Most beneficial owners whose stock is held in street name receive instructions for granting proxies from their banks, brokers or other agents, rather than PlanetOut s proxy card. A number of brokers and banks are participating in a program provided through Broadridge Investor Communication Solution (Broadridge) that offers the means to grant proxies to vote shares by means of the Internet. If your shares are held in an account with a broker or bank participating in the Broadridge program, you may go to *www.proxyvote.com* to grant a proxy to vote your shares by means of the Internet. Submitting your proxy via the Internet will not affect your right to vote in person should you decide to attend the special meeting. A beneficial owner who wishes to vote at the meeting must have an appropriate proxy from his or her broker or bank appointing that beneficial owner as attorney-in-fact for purposes of voting the beneficially held shares at the meeting.

Can I revoke my proxy?

Yes. You can revoke your proxy by:

prior to the meeting, filing a written notice of revocation or a duly executed proxy bearing a later date with PlanetOut s corporate secretary at its principal executive office, 1355 Sansome Street, San Francisco, California 94111, or

attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

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THE PROPOSED BUSINESS COMBINATION

Background of the Proposed Business Combination

Periodically over the company s history, PlanetOut s board of directors and management have considered the company s available strategic alternatives, both in connection with the day-to-day operation of the company and in response to unsolicited expressions of interest from third parties.

In January 2007, following consideration of the strategic alternatives available to it, the company engaged Jefferies & Company, Inc. to explore a potential sale of the company. During that process, Jefferies contacted twelve prospective strategic and financial buyers. Management meetings were held with five of these parties. Ultimately none of the contacted parties pursued the opportunity to acquire the company, largely due to each party s inability to arrive at a valuation at or above the current market price.

During the spring of 2007, the company continued to receive unsolicited inquiries concerning potential strategic transactions involving either portions or the entire business of the company, including an expression of interest in exploring a potential transaction from the principals of Here Networks and Regent Releasing. During this period, the board and management considered a variety of available strategic and financial alternatives to address future financing needs, especially given the pending due date of the company s loans from Orix Venture Finance LLC. The company consulted with a number of potential strategic financial advisors, terminated its advisory relationship with Jefferies in April 2007 and engaged Allen as its strategic financial advisor in May 2007.

In May 2007, Mr. Colichman of Here Networks and Regent Releasing, and Karen Magee and Dan Miller, PlanetOut s Chief Executive Officer and then Chief Financial Officer, respectively, had a conference call in which Mr. Colichman described his company s businesses and his plans for them going forward. In a subsequent meeting, Mr. Colichman and his colleague, David Gould, proposed a marketing agreement between Regent Releasing and PlanetOut. In light of the company s financing needs and the limitations of the proposed marketing arrangements, the company decided not to pursue Mr. Colichman s proposal and to proceed with an equity financing.

On July 9, 2007, PlanetOut completed a $26.2 million equity financing, of which approximately $14 million was used to retire PlanetOut s outstanding debt, including the Orix loans.

Throughout the summer and the fall of 2007, management implemented its strategy to focus and streamline its operations in an effort to reduce costs and future capital requirements and to invest in the segments of PlanetOut s business with the greatest potential for synergy and growth. In support of this strategy, in July 2007, the company announced the shutdown of its international operations. In December 2007, the company sold its travel business, RSVP Productions, Inc. The company was also actively seeking the sale of its adult business, SpecPub, Inc.

In November and December 2007, Messrs. Colichman and Jarchow had meetings and conversations with the management of PlanetOut concerning a possible combination of the companies. PlanetOut s board and management decided the company needed to engage in a broader process to identify other potential acquirers and other available alternatives for the company.

Following a review in December 2007 of the company s preliminary budget for 2008 and available financial and strategic options, in January 2008, the board signed a new engagement letter for Allen to assist the company in evaluating its strategic alternatives, including a possible sale of the company.

During its meeting on January 11, 2008, the board formed a special committee, comprised of Stephen Davis, John Marcom, H. William Jesse, Jr. and Mr. Kleweno, with the committee chaired by Mr. Kleweno.

In January and February 2008, Allen contacted 55 parties who might have an interest in acquiring the company, which resulted in the distribution of a detailed information memorandum to 43 of those parties.

Based on concerns about projected losses in PlanetOut s publishing business and a lack of interest in the publishing assets exhibited by most prospective buyers, in February 2008, PlanetOut decided to pursue a sale of the publishing assets independent of a sale of the company. Following management meetings and discussions with potential acquirers of the publishing assets during February and March 2008, the company entered into a binding term sheet on April 7, 2008 with Regent Releasing, an affiliate of Here Networks, which led to the sale of

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PlanetOut s magazine and book publishing businesses, including the operations of its wholly owned subsidiaries LPI and SpecPub to Regent Entertainment Media on August 13, 2008. The sale was made pursuant to a put/call agreement entered into on August 12, 2008, among Regent Releasing, Regent Entertainment Media, PlanetOut, LPI and SpecPub and a marketing agreement between Regent Releasing and PlanetOut. The put/call agreement and marketing agreement included cash payments by Regent Releasing of $6.5 million, the assumption by Regent Entertainment Media of the majority of the operating liabilities of PlanetOut s magazine and book publishing business, and a commitment by PlanetOut to provide certain marketing and advertising services to Regent Releasing through March 31, 2009.

At the same time, the company continued to pursue the sales process for the online portion of the business. In late March 2008, Allen provided financial statements for the online portion of the business to potential bidders. The company also set a deadline of early April 2008 for initial indications of interest from potential bidders.

At the beginning of April 2008, the company received five initial indications of interest for a purchase of the online business. A number of these indications of interest proposed an acquisition of the assets of the company, which provided specific complications for the company due to the cost and delay of liquidating the company and distributing the proceeds to the stockholders.

During its meeting on April 17, 2008, the special committee discussed the five indications of interest as well as other options available to the company, including the possibility that the company might remain independent if none of the offers reflected fair value for the company s stockholders.

One of the potential bidders was dropped from the process immediately because its valuation was substantially below the valuation offered by the other potential bidders. Allen was directed to continue discussions with the other four potential bidders. Following the deadline, the company received indications of interest from Regent Entertainment Media and a sixth party. On further review and diligence as to the six indications of interest, one potential bidder, a competitor, was dropped from the process because its indication of interest offered a lower value prospect for the company s stockholders and because of questions of its motivations for being in the process. Another potential bidder was dropped because of the value it was offering. This left four potential bidders in the process.

In May and June 2008, the company held management meetings with Regent Entertainment Media and two of the three other parties in the process and had a conference call with the third. The third party fell out of the process shortly after the conference call. The remaining two parties other than Regent Entertainment Media will be referred to below as the first and second alternate parties.

On July 2, 2008, the first alternate party proposed to purchase the company for $4.25 per share. On July 18, 2008, Allen contacted Regent Entertainment Media and the second alternate party to try to get firm offers from them.

On July 22, 2008, Regent Entertainment Media proposed an acquisition of PlanetOut in which a minimum of 65% of PlanetOut s stockholders would roll their stake into a private company and remain investors in the new company, but did not give a price. Regent Entertainment Media was requested to provide more detail as to its proposal.

During its meeting on July 24, 2008, the board received an update from Allen on the status of discussions with the interested parties.

On July 24, 2008, a representative from the second alternate party sent Mr. Kleweno a presentation that their team had prepared for potential partners, summarizing their strategic perspective on a rebuilt PlanetOut, and requested an opportunity to discuss their perspectives with Mr. Kleweno.

On July 25, 2008, Regent Entertainment Media proposed an acquisition of PlanetOut at $5.00 per share in cash, and continued to propose that some of PlanetOut s largest stockholders remain investors in the new private company.

On July 25, 2008, the company also received a proposal from the second alternate party to acquire the company for $3.00 per share in cash. The second alternate party fell out of the process shortly thereafter given its lower valuation and the company s concerns about the second alternate party s ability to obtain financing for the transaction.

In response to a request to provide more detail as to its July 25, 2008 proposal, on July 31, 2008, Regent Entertainment Media proposed an acquisition of PlanetOut at $5.00 per share, requiring that 40% of the company s stockholders remain investors in the new company.

On August 11, 2008, the special committee discussed a revised offer submitted by the first alternate party at $4.60 per share which required a period of exclusivity, reimbursement by PlanetOut of the first alternate party s expenses if no transaction resulted and approval of the transaction by more than 50% of the company s stockholders at the time of signing of the merger agreement. The committee expressed significant concerns about the first alternate party s offer, including its ability to obtain financing for the transaction, its requirement for exclusivity and expense reimbursement and its requirement that a majority of stockholders approve the transaction prior to executing a definitive agreement.

During a conference call on August 12, 2008, members of the special committee and Ms. Magee met with representatives from Regent Entertainment Media to review their strategic plans and financial information for the combined companies.

Due to concerns that the Regent Entertainment Media proposal required an agreement by a minimum number of stockholders to remain as investors in the new company, PlanetOut began negotiating the terms of an acquisition with the first alternate party and on August 18, 2008, sent a draft term sheet and a limited exclusivity agreement. The company also continued to review plans through which the company could continue to operate its online business on a stand-alone basis.

On August 19, 2008, Regent Entertainment Media proposed the acquisition of PlanetOut at $4.50 per share in cash, requiring that at least 20% of its stockholders remain investors in the new company. On August 19, 2008, Mr. Kleweno called Mr. Colichman to explain that his offer was attractive, but would need to be increased if Regent Entertainment Media wanted to acquire the business.

On August 20, 2008, Regent Entertainment Media proposed the acquisition of 100% of the company s shares at $5.00 per share in cash with no requirement that stockholders remain as investors in the new company, and requested a 60-day exclusivity period.

During its meeting on August 21, 2008, the board decided to pursue the negotiation of the definitive terms of a transaction with Regent Entertainment Media, having considered and discussed the first alternate party s unwillingness to raise its offer and the continuing concern about its ability to finance the offer.

On August 22, 2008, Mr. Kleweno called Mr. Colichman to inform him that the company would like to move forward with the Regent Entertainment Media offer. Over the next few days, the parties proceeded to negotiate the terms of an acquisition and an exclusivity period.

On August 25, 2008, the special committee, concluding that to proceed with Regent Entertainment Media PlanetOut would need to agree to Regent Entertainment Media s demands for a limited period of exclusivity, approved entering into a 21-day exclusivity agreement with Regent Entertainment Media with two potential one-week extensions upon Regent Entertainment Media meeting certain milestones related to negotiating the details of the transaction.

On August 27, 2008, the parties reached preliminary agreement on proposed terms for the acquisition of the company for $5.00 per share in cash and entered into the exclusivity agreement.

On September 3 and 4, 2008, due diligence meetings were held with Regent Entertainment Media in PlanetOut s San Francisco offices. In connection with these meetings, PlanetOut updated the financial information provided in March 2008.

On September 9, 2008, Regent Entertainment Media informed the company that it had analyzed the information received and concluded that it could no longer pursue a transaction at $5.00 per share based on concerns about the cash available and necessary for the combined company.

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On September 17, 2008, Allen provided the board with an update on the status of the continuing negotiations with Regent Entertainment Media.

On October 2, 2008, Regent Entertainment Media proposed an acquisition of the company in which certain stockholders would be requested to roll their stock into a new private company and the remaining stockholders would receive between a minimum of $2.50 per share and a maximum of $5.00 a share, depending upon how many stockholders elected to roll their holdings into a new private entity.

The exclusivity agreement having expired, on that same date, Allen called the first alternate party and the second alternate party to determine whether they might have continued interest in an acquisition of the company.

During the October 6, 2008 special committee meeting, Allen led a discussion concerning the status of negotiations with Regent Entertainment Media and the first and second alternate parties, including a discussion regarding the terms for the transaction proposed by Regent Entertainment Media on October 2, 2008.

On October 9, 2008, Mr Kleweno discussed with the second alternate party the requirement for a cash offer and the need for that party to identify the source of financing for an acquisition.

On October 14, 2008, Mr. Kleweno discussed with the first alternate party their continued interest in the company. The first alternate party indicated that they required an exclusivity period of ten days to begin further conversations and requested significant additional diligence information. There were continuing concerns about the ability of the first alternate party to secure financing for the transaction.

On October 15, 2008, at the request of management of PlanetOut, representatives of the company s counsel, Howard Rice, spoke with a representative of Regent Entertainment Media s counsel, Mayer Brown LLP, about a potential stock-for-stock transaction with Regent Entertainment Media in which Regent Entertainment Media would merge certain businesses plus $6 million of cash into PlanetOut for a controlling stake in the resulting company. The proposal was to also provide some downside protection for PlanetOut s stockholders in the event of a liquidation or sale of the company below an agreed price.

On October 16, 2008, representatives of Regent Entertainment Media met with representatives of Allen to share a projected financial plan for the combined company.

During the October 20, 2008 special committee meeting, Mr. Kleweno led a discussion concerning the status of negotiations with Regent Entertainment Media. Mr. Steimle provided an update concerning the company s preliminary financial results for the third quarter of 2008 and the projected cash position of the company. Mr. Steimle also led a discussion regarding an analysis he had done regarding the viability of a wind-down of the company s operations and liquidation of the company.

On October 20, 2008, Regent Entertainment Media proposed merging certain businesses into PlanetOut in a stock-for-stock merger, with the HMI Owners being issued 80% of the company on a pro forma basis. In addition, Regent Entertainment Media proposed the issuance of a security which would provide downside protection to PlanetOut s stockholders to the extent the company was liquidated or sold for less than $5.00 per share.

On October 22, 2008, Mr. Kleweno called the first alternate party to tell it that the company was unwilling to give it a period of exclusivity.

On October 23, 2008, Allen met with the second alternate party. The second alternate party still could not provide evidence of its ability to finance a transaction.

During the October 29, 2008 special committee meeting, Mr. Kleweno led a discussion concerning the status of negotiations with Regent Entertainment Media, including a discussion regarding the proposed terms for the transaction Regent Entertainment Media proposed on October 20, 2008.

During a November 10, 2008 special committee meeting, Allen led a discussion concerning the status of continuing negotiations with Regent Entertainment Media, including a discussion of the October 20, 2008 proposal by Regent Entertainment Media. The special committee unanimously approved continuing negotiations with Regent Entertainment Media regarding its proposal.

On November 11, 12 and 13, 2008, PlanetOut and Regent Entertainment Media met at Regent Entertainment Media s Los Angeles offices to conduct diligence on their respective businesses and financial positions. In connection with these meetings, PlanetOut provided Regent Entertainment Media with updated financial information.

During its November 13, 2008 meeting, the board approved continuing negotiations based on a possible alternate structure which would have PlanetOut merging into Regent Entertainment Media rather than Regent Entertainment Media merging into PlanetOut. In the ensuing weeks, the parties had further diligence conference calls and meetings to discuss the structure of the proposed transaction, finally reaching agreement on the proposed business combination structure being presented to the stockholders, including the creation of Here Media.

On December 1, 2008, the respective chairmen of PlanetOut and Regent Entertainment Media, PlanetOut management, and representatives from Howard Rice and Mayer Brown LLP had a conference call for the purpose of negotiating the terms of a definitive merger agreement.

On December 3, 4 and 5, 2008, PlanetOut and Regent Entertainment Media met at Regent Entertainment Media s Los Angeles offices to conduct further diligence on both companies and to analyze the financial position of the combined company. During the course of those meetings, Regent Entertainment Media proposed an alternative structure in which PlanetOut would remain a public company but would sell its assets in exchange for a 20% interest in Here Media. That proposal was considered and rejected by the special committee on December 8, 2008, and after discussions with Allen, on December 12, 2008, Regent Entertainment Media agreed to proceed with the structure that is being proposed to the stockholders.

During the period from December 5, 2008 through January 4, 2009, the respective management and counsel for the parties had numerous discussions regarding the terms of the definitive agreement. The parties also negotiated the definitive terms of the special stock.

During a conference call on December 18, 2008, the chairmen of PlanetOut and Regent Entertainment Media, PlanetOut management, and representatives from Howard Rice and Mayer Brown LLP negotiated the terms of the merger agreement and discussed PlanetOut s reduced expectations for 2009 financial performance.

On January 2, 2009, PlanetOut s management and Allen discussed concerns that the downside protection of the special stock that had initially been proposed would only be operative in connection with the sale of PlanetOut solely for cash.

On January 3 and 4, 2009, Allen negotiated the terms of the special stock with Mr. Jarchow. Mr. Jarchow would only agree to expand the scope of the protection of the special stock beyond a sale of the company solely for cash to also cover a sale for cash and publicly traded stock if the price protection were decreased to $4.00 per share. Mr. Jarchow also proposed that in exchange for Messrs. Jarchow s and Colichman s election to receive salaries of $1.00 for the first year following the consummation of the proposed business combination, Here Media would reduce the amount of cash to be contributed to the combined company to $5,200,000 less up to $500,000 for expenses related to the transaction.

During its January 4, 2009 meeting, Mr. Kleweno and Ms. Magee discussed with the board the updated terms of the deal, including receiving broader downside protection for the stockholders which could only be obtained in exchange for agreeing to decrease the price protection to $4.00 a share and the reduction of the minimum amount of cash to be contributed. It was concluded that the changes were in the best interest of the stockholders.

After having heard management s description of the transaction and the fairness presentations of Allen and Viant and having received the opinions of Allen and Viant as to the fairness from a financial point of view of the consideration being received by the stockholders in the transaction, PlanetOut s board approved the acquisition on January 7, 2009. The parties executed the merger agreement on January 8, 2009.

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Recommendation of PlanetOut s Board of Directors

The Board of Directors Recommends
a Vote in Favor of Adoption of the Merger Agreement and Approval of the Merger

PlanetOut s board of directors has approved the merger agreement and determined that the merger is advisable and in the best interests of PlanetOut and its stockholders. Accordingly, the board of directors recommends that PlanetOut stockholders vote FOR the proposal to adopt the merger agreement and approve the merger and, if necessary, adjournment of the special meeting to a later date for that purpose.

PlanetOut s Reasons for the Merger

In reaching its decision to approve the merger agreement, the PlanetOut board of directors, with the assistance of PlanetOut s management and financial and legal advisors, considered and analyzed a number of factors, including those reviewed by the board of directors at the meetings described above. The PlanetOut board of directors considered the following material factors in determining to approve the merger agreement and the proposed business combination:

the strategic fit between PlanetOut and the HMI Entities and the complementary nature of their respective businesses and client bases and the potential for significant content, technology, cost and revenue synergies that will benefit the combined company and position the combined company to be able to compete more effectively than PlanetOut would be able to on a stand-alone basis;

management s analysis and understanding of the business, operations, financial performance, financial condition and earnings of PlanetOut on a stand-alone basis, and the assessment, based on such analysis and understanding, that the business combination with the HMI Entities would be more favorable to PlanetOut and its stockholders than remaining an independent public company in light of the potential risks and uncertainties associated with PlanetOut continuing to operate on a stand-alone basis. Those risks and uncertainties included those relating to PlanetOut s ability to attract and retain subscribers and advertisers, its ability to obtain financing for anticipated short-term and longer-term capital needs, and the potential impact on PlanetOut of declining economic conditions generally;

the opportunity for PlanetOut s stockholders to become stockholders of and participate in the potential growth of a larger combined company than PlanetOut on its own due to more diverse assets, including video, a broader online network, and larger subscriber and advertiser bases;

the anticipated synergies from the proposed business combination resulting from cost savings programs, which are anticipated to result primarily from downsizing the workforce and eliminating duplicate infrastructure, advertising, communication, professional fees and other expenses;

the anticipated synergies from the proposed business combination resulting from revenue synergies, which are anticipated to result primarily from bundled sales of gay.com, magazine, and here! TV subscriptions and cross-platform advertising sales;

the expectation that the combined company will have a leading collection of media assets focused on the LGBT market and will be able to provide a broader set of opportunities to advertisers desiring to reach this market;

the issuance of Here Media s special stock to PlanetOut stockholders, which is intended to provide limited downside protection in the event of a sale or liquidation of Here Media;

the terms and conditions of the merger agreement, including:

the limited closing conditions to the HMI Entities obligations under the merger agreement. In particular, the merger agreement contains no financing contingency and has already been approved by the HMI Entities equityholders, so there is no fiduciary out for the HMI Entities to pursue any alternative transaction;

the provisions of the merger agreement that allow PlanetOut to engage in negotiations with, and provide information to, third parties, under certain circumstances in response to an unsolicited alternative proposal that PlanetOut s board of directors determines in good faith, after consultation with its outside legal advisors and its financial advisors, constitutes a transaction that is more favorable to PlanetOut s stockholders than the business combination with the HMI Entities; and

the provisions of the merger agreement that allow PlanetOut s board of directors to change its recommendation that PlanetOut stockholders vote in favor of the approval and adoption of the merger agreement, if PlanetOut s board of directors determines in good faith that the failure to change its recommendation would be inconsistent with its fiduciary duties under applicable law; and

the opinion of Allen and the second opinion of Viant, which PlanetOut s board decided to obtain given the potential perception of a conflict of interest of Allen due to its holdings of PlanetOut common stock, to the effect that, as of January 7, 2009, and based on and subject to the matters described in the opinions, the merger consideration, to be received by holders of PlanetOut Common Stock, is fair from a financial point of view to the stockholders of PlanetOut, as described under Opinion and Financial Analyses of Allen & Company LLC Presented to PlanetOut s Board of Directors and Opinion and Financial Analyses of Viant Capital LLC Presented to PlanetOut s Board of Directors sections of this document.

The PlanetOut board of directors also identified and considered a number of potentially adverse factors concerning the merger, including the following:

the risk that the business combination might not be completed in a timely manner or at all;

the risk that the anticipated synergies and other potential benefits of the proposed business combination may not be fully or partially realized;

the challenges and difficulties, foreseen and unforeseen, relating to integrating the operations of PlanetOut and the HMI Entities;

the risk associated with diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the proposed business combination;

the potential loss of advertising revenue after announcement of the proposed business combination; and

the possibility of management and employee disruption associated with the proposed business combination and integrating the operations of the companies, including the risk that, despite the efforts of the combined company, key management, sales, marketing, editorial, technical and administrative personnel of PlanetOut might not remain employed with the combined company.

The PlanetOut board of directors also considered the following factors:

the feasibility and desirability of pursuing alternative strategies, such as pursuing growth and increased stockholder value through other business combinations, financings or strategic transactions;

the fact that PlanetOut may not be able to sustain its business and may be placed at a disadvantage relative to its competitors if the business combination is not completed;

- the current and prospective economic and competitive environment facing the media industry and PlanetOut in particular;
- the fact that the board of directors of Here Media will be a classified board consisting of three individuals, two of whom will be designated by the HMI Entities, and one designated by PlanetOut; and
- the investment banking, legal and accounting fees and expenses of PlanetOut related to the proposed business combination.

After taking into account all of the factors set forth above, the PlanetOut board of directors believed that the expected benefits of the proposed business combination outweighed the risks and that the proposed business combination is in the best interests of PlanetOut and its stockholders.

The foregoing discussion of information and factors considered by the PlanetOut board of directors is not intended to be exhaustive but is believed to include the material factors considered by the PlanetOut board of directors. In view of the wide variety of factors considered by the PlanetOut board of directors, the PlanetOut board of directors did not find it practicable to quantify or otherwise assign relative weight to the specific factors considered. In addition, the PlanetOut board of directors did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the PlanetOut board of directors may have given different weight to different factors.

In considering the recommendation of PlanetOut s board of directors with respect to the merger agreement, PlanetOut stockholders should be aware that some directors, officers and stockholders of PlanetOut have interests in the proposed business combination that are different from, or are in addition to, the interests of PlanetOut stockholders generally. Please see Interests of Directors, Executive Officers and Principal Stockholders in the Merger for a discussion of these differing or additional interests.

THE PLANETOUT BOARD OF DIRECTORS RECOMMENDS THAT PLANETOUT STOCKHOLDERS VOTE FOR ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

The HMI Entities Reasons for the Contribution

The HMI Entities business strategy focuses on the distribution of professionally produced content to niche markets across multiple platforms, including cable and satellite television, print media and the Internet. The HMI Entities selected the LGBT community as the first target market for the implementation of their niche market media model because it is an affluent, engaged and relatively under served segment of the general population. The HMI Entities currently operate the here! Network, which offers original movies, series, documentaries and music specials tailored for the LGBT community in the United States, and publish magazines, including *The Advocate, Out* and *HIVPlus,* which are aimed primarily at the LGBT market. The HMI Entities believe their combination with PlanetOut will significantly increase their distribution capabilities by giving them access to one of the largest and most well-known online destinations for the gay and lesbian community.

The HMI Entities believe there are strategic benefits to combining their existing content and technology with PlanetOut s critical mass of online subscribers and website visitors. The HMI Entities plan to make professionally produced content they currently provide unedited and commercial free on the here! Network available without charge to viewers on the Gay.com website through an ad-supported video player. The HMI Entities believe that by attracting viewers seeking professionally produced, culturally customized video content, with limited commercial interruption, they are able to offer advertisers the opportunity to reach a commercially attractive, engaged audience. The HMI Entities also plan to attract premium subscribers (who pay higher subscription fees) to Gay.com by offering here! Network s premium online SVOD services to those subscribers.

In addition to the perceived strategic benefits to the combination, the HMI Entities believe the proposed business combination offers opportunities for substantial cost savings because they have existing staff that can perform many of the functions currently performed by PlanetOut employees, particularly in the areas of content production, sales and information technology. For example, the HMI Entities plan to create an integrated advertising sales team that will focus on video, print and digital platforms across all of the combined companies business activities.

Opinion and Financial Analyses of Allen & Company LLC Presented to PlanetOut s Board of Directors

Allen has acted as financial advisor to PlanetOut with respect to the proposed business combination. In connection with Allen s engagement as financial advisor, PlanetOut requested that Allen evaluate the fairness, from a financial point of view, of the merger consideration to be received by PlanetOut s stockholders. On January 7, 2009, Allen delivered its oral opinion, subsequently confirmed in writing, to the board of directors of PlanetOut to the effect that, as of the date of its opinion and based upon and subject to the qualifications, limitations and assumptions set forth therein, the merger consideration to be received by the stockholders of PlanetOut was fair, from a financial point of view, to PlanetOut s stockholders.

This summary of Allen s written opinion is qualified in its entirety by reference to the full text of Allen s written opinion, dated January 7, 2009, attached as Annex A. You are urged to read Allen s written opinion carefully and in its entirety. Allen s written opinion addresses only the fairness, from a financial point of view, of the merger consideration to PlanetOut s stockholders, as of the date of Allen s written opinion, and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the proposed business combination.

In arriving at its opinion, Allen, among other things:

- reviewed and analyzed the terms and conditions of the draft merger agreement and the draft certificate of incorporation attached thereto (and has subsequently confirmed that the changes reflected in the final version of the merger agreement would not affect its opinion);
- reviewed and analyzed trends in the online content market;
- reviewed and analyzed publicly available information on PlanetOut;
- reviewed and analyzed the financial and business condition and prospects of each of PlanetOut and the HMI Entities based on information provided by senior management of the respective companies;
- reviewed and analyzed historical results and financial projections of PlanetOut and the HMI Entities provided by senior management of the respective companies;
- reviewed and analyzed financial projections of Here Media prepared by senior management of PlanetOut and the HMI Entities;
- reviewed and analyzed information obtained from discussions with management of each of PlanetOut and the HMI Entities;
- reviewed and analyzed the trading history of PlanetOut s common stock;
- reviewed and analyzed the trading history of PlanetOut s common stock as compared to that of comparable companies and market indices;
- reviewed and analyzed public financial and transaction information related to comparable mergers and acquisitions, including the premiums and multiples paid in those transactions;
- reviewed and analyzed the common stock price and market multiples of PlanetOut in relation to that of comparable public companies;
- reviewed and analyzed market multiples of public companies comparable to Here Media assuming the completion of the merger; and
- conducted such other financial analyses and investigations as Allen deemed necessary or appropriate for the purposes of the opinion expressed therein.

In connection with its review, Allen did not assume any responsibility for independent verification of any of the information utilized in its analyses and relied upon and assumed the accuracy and completeness of all of the financial, accounting, tax and other information that was available to Allen from public sources, that was provided to it by

PlanetOut and/or the HMI Entities or their respective representatives, or that was otherwise reviewed by Allen. With respect to the projected business information and financial results that Allen reviewed, Allen was advised by the managements of PlanetOut and the HMI Entities, and Allen assumed that such forecasts had been reasonably prepared in good faith reflecting the best currently available estimates and judgments of the managements of PlanetOut and the HMI Entities as to the future financial performance of PlanetOut, the HMI Entities and Here Media. Allen assumed no responsibility for such forecasts or the assumptions on which they were based.

Allen also assumed, with PlanetOut s consent, that the proposed business combination would be consummated in accordance with the terms and conditions set forth in the draft merger agreement and the draft certificate of incorporation attached thereto that it reviewed. Allen neither conducted a physical inspection of the properties and facilities of PlanetOut or the HMI Entities nor, except as specifically set forth in the opinion, made or obtained any evaluations or appraisals of the assets or liabilities of PlanetOut or the HMI Entities, or conducted any analysis concerning the solvency of PlanetOut. Allen s opinion addressed only the fairness, from a financial point of view, of the merger consideration to PlanetOut s stockholders, and did not address any other aspect or implication of the proposed business combination or any other agreement, arrangement or understanding entered into in connection with the proposed business combination or otherwise. Allen s opinion is necessarily based upon information made available to it as of the date of its opinion, and upon financial, economic, market and other conditions as they existed and could be evaluated on the date of Allen s opinion. Allen s opinion did not address the relative merits of the proposed business combination as compared to other business strategies that might be available to PlanetOut, nor did it address PlanetOut s underlying business decision to proceed with the proposed business combination. Allen did not express an opinion about the fairness of any compensation payable to any of PlanetOut s officers, directors or employees in connection with the proposed business combination, relative to the compensation payable to the stockholders.

In preparing its opinion, Allen performed a number of financial and comparative analyses, including those further described below. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Allen believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading view of the processes underlying its opinion. No company or transaction used in the analyses performed by Allen as a comparison is identical to PlanetOut or the contemplated proposed business combination. In addition, Allen may have given some analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuation resulting from any particular analysis described below should not be taken to be Allen s view of the actual value of PlanetOut. The analyses performed by Allen are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets do not purport to be appraisals or to necessarily reflect the prices at which businesses or assets may actually be sold. The analyses performed were prepared solely as part of Allen s analysis of the fairness, from a financial point of view, of the merger consideration, to PlanetOut s stockholders, and were provided to PlanetOut s board of directors in connection with the delivery of Allen s opinion.

Financial Analyses of Allen

The following is a summary of material financial analyses performed by Allen in connection with the preparation of its opinion, and reviewed with PlanetOut s board of directors at a meeting held on January 7, 2009. Certain of the following summaries of financial analyses that were performed by Allen include information presented in tabular format. In order to understand fully the material financial analyses that were performed by Allen, the tables should be read together with the text of each summary. The tables alone do not constitute a complete description of the material financial analyses. Allen analyzed the pro forma value of Here Media in order to place a range of potential values on the merger consideration and analyzed the value of PlanetOut in order to determine if the merger consideration to be received by the stockholders of PlanetOut was fair, from a financial point of view, to PlanetOut s stockholders.

Valuation of Here Media

Allen used the following valuation analyses in determining a range of pro forma enterprise values for Here Media after giving effect to the completion of the merger: (1) discounted cash flow analysis; (2) comparable company multiples analysis; and (3) sum of the parts analysis.

(1) *Discounted Cash Flow Analysis.* Allen s discounted cash flow approach was based upon certain financial projections and estimates for the fiscal years 2009 to 2011 which were provided by the management of PlanetOut and the HMI Entities. Allen s analyses utilized the projected cash flows of PlanetOut and the HMI Entities discounted back to present value based on a range of risk-adjusted discount rates. Allen used discount rates ranging from 14% to 18% and used terminal estimated earnings before interest, taxes, depreciation and amortization (EBITDA) multiples

ranging from 4.0x to 6.0x, resulting in a discounted cash flow implied enterprise value range of Here Media of between $59 million and $95 million.

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(2) *Comparable Company Multiples Analysis.* Allen analyzed and examined EBITDA multiples and revenue multiples for publicly traded diversified media companies which Allen deemed most comparable to Here Media. These companies included:

Walt Disney Co.

News Corporation

Time Warner Inc.

Viacom

Liberty Media Corp.

CBS Corp.

Allen calculated the ratio of enterprise value to EBITDA and enterprise value to revenue on a projected calendar year basis for 2008 through 2010 for the comparable companies. Based on its analysis of the comparable companies, Allen selected a representative range of multiples and applied the multiples to relevant financial data of Here Media to calculate a range of implied enterprise values. Given Here Media s projected 2009 performance, Allen focused its analysis on the EBITDA multiples for 2010 and the revenue multiples for 2009. Allen s analysis is set forth in the table below.

	Implied Enterprise Value of Here Media ($ millions)			**Range of Selected Multiples of Comparable Diversified Media Companies**	
2010E EV/EBITDA	$	51	$64	4.0x	5.0x
2009E EV/Revenue	$	46	$57	0.8x	1.0x

(3) *Sum of the Parts Analysis*.

Comparable Company Multiples Analysis. Allen analyzed and examined revenue multiples for publicly traded companies in each of the online, cable, filmed entertainment and magazine sectors that Allen deemed most comparable to the four operating divisions of Here Media.

Allen calculated the ratio of enterprise value to revenue on a projected calendar year basis for 2009 for the comparable companies in each sector. Based on its analysis of the comparable companies, Allen selected a representative range of multiples for each sector and then conducted a sum of the parts analysis. This analysis derived an implied enterprise value for Here Media of between $27 million and $67 million, which equated to a range of multiples on Here Media s consolidated 2009 revenues from 0.5x to 1.2x.

Comparable Precedent Transactions Analysis. Allen reviewed selected precedent transactions within each of the online, cable, filmed entertainment and magazine sectors that had announcement dates between 2004 and 2008 and which had publicly-disclosed information or industry analyst estimates from which purchase price multiples could be derived.

For each company, Allen calculated the ratio of (i) enterprise value to revenue for the last twelve months; (ii) enterprise value to EBITDA for the last twelve months; (iii) enterprise value to estimated revenue over the following fiscal year; and (iv) enterprise value to estimated EBITDA over the following fiscal year. Based on its analysis of the comparable precedent transactions, Allen selected a representative range of multiples for each sector and then conducted a sum of the parts analysis. This analysis derived an implied enterprise value of Here Media of between \$52 million and \$117 million, which equated to a range of multiples on Here Media s consolidated 2009 revenues from 0.9x to 2.0x.

Based on the various financial analyses summarized above and its knowledge of the industry and the business of PlanetOut, Allen determined that the range of pro forma enterprise values for Here Media was between \$27 million and \$95 million. This resulted in a pro forma equity value per share of Here Media common stock of between \$1.49 and \$4.80.

Fairness Analysis

Allen used the following methodologies to determine that the merger consideration to be received by PlanetOut s stockholders represented equity values per share and revenue multiples that were in line with the results derived from the following valuation analyses: (1) comparable company multiples analysis; (2) comparable precedent transactions analysis and (3) comparable company premiums analysis.

(1) *Comparable Company Multiples Analysis.* Allen analyzed and examined revenue multiples for companies within the online media sector which Allen deemed most comparable to PlanetOut. Specifically, Allen analyzed the common stock prices and market multiples of the following comparable publicly-traded companies:

IAC/InterActiveCorp

RealNetworks

InfoSpace

The Knot

Move

LoopNet

TechTarget

TheStreet.com

Spark Networks

Kaboose

Harris Interactive

LookSmart

Allen calculated the ratio of enterprise value to revenue on a projected calendar year basis for 2008 and 2009 for each of the companies identified above. Utilizing the numbers obtained from publicly available information, Wall Street research estimates and PlanetOut press releases, Allen determined that the merger consideration implied revenue multiples were within or above the selected range of representative multiples of the most comparable publicly traded companies in the online media sector.

	Range of Multiples Implied by a Pro Forma Equity Value of Between \$1.49 and \$4.80	**Range of Selected Multiples from Comparable Publicly-Traded Online Media Companies**

EV/CY08E Revenue	0.4.x	1.1.x	0.2x	0.8x
EV/CY09E Revenue	0.5.x	1.6.x	0.2x	0.8x

(2) *Comparable Precedent Transactions Analysis*. Allen reviewed selected precedent transactions within the online media sector that had announcement dates between 2006 and 2008 and which had publicly-disclosed information or industry analyst estimates from which purchase price multiples could be derived. For each transaction, Allen analyzed the enterprise value of the acquired company compared to the revenue and EBITDA of such company for the last twelve months and the following fiscal year, where available. Transactions analyzed included:

Comcast s acquisition of Daily Candy

Radio One s acquisition of Community Connect

D&B s acquisition of AllBusiness.com

Spectrum Equity Investors acquisition of The Generations Network

Liberty Media s acquisition of FUN Technologies

Hearst Magazine s acquisition of RealAge

RH Donnelly s acquisition of Business.com

Local.com s acquisition of PremierGuide

Dow Jones acquisition of eFinancialnews

Lagardere SCA s acquisition of Newsweb

WebMD Health s acquisition of Subimo

Dow Jones acquisition of Factiva

FUN Technologies acquisition of CDM Fantasy Sports

Vocus s acquisition of PRWeb

Prides Capital s acquisition of eDiet.com

WebMD Health s acquisition of Medsite.com

Conde Nast Publications acquisition of Wired News

The Knot s acquisition of WeddingChannel.com

aQuantive s acquisition of Franchise Gator

Kaboose s acquisition of BabyZone.com

Realestate.com.au s acquisition of Property Look

Interactive Data s acquisition of Quote.com

WebMD Health s acquisition of eMedicine.com

Great Hill Investors acquisition of Spark Networks

As indicated by the chart below, Allen determined that the merger consideration implied revenue multiples for PlanetOut that were slightly below or within the range of multiples paid in the most comparable transactions in the online media sector, based on Allen s review of Wall Street research and PlanetOut management s estimates. Because of PlanetOut s 2008 and projected 2009 performance, Allen did not view the EBITDA analysis to be meaningful. In analyzing the multiples paid in comparable transactions, Allen noted that most of the precedent transactions occurred prior to the recent decline in equity markets. As a result, Allen gave less consideration to the multiples derived from the precedent transaction analysis, based on its belief that had such precedent transactions occurred in the present economic environment, the multiples would have been discounted to reflect such market declines.

	Range of Multiples Implied by a Pro Forma Equity Value of Between $1.49 and $4.80		Range of Selected Multiples from Comparable Publicly-Traded Online Media Companies	
EV/LTM Revenue	0.4.x	1.1.x	0.6x	2.0x
EV/Forward Revenue	0.5.x	1.6.x	0.6x	2.0x

(3) *Comparable Company Premiums Analysis.* Allen analyzed and examined the transaction premiums paid in all completed acquisitions of domestic companies, excluding financial institutions, which were acquired from January 1, 2004 through December 31, 2008.

Allen also compared the merger consideration to PlanetOut s market capitalization and enterprise value, comparing it with (a) the closing price on January 5, 2009 and (b) the four-week average closing prices. Allen determined that the pro forma Here Media equity value per share represented a premium of between 149% and 700% over the closing share price of PlanetOut on January 5, 2009 and a premium of between 250% and 1,000% over the four-week average closing price. Allen found that the merger consideration represented a premium to PlanetOut s market price at the top end of the range of estimated premiums paid in comparable mergers and acquisitions.

General

Allen s opinion and presentation to PlanetOut s board of directors was one of many factors that PlanetOut s board of directors took into account in making its decision. Consequently, the analyses described above should not be viewed as determinative of the opinion of PlanetOut s board of directors in determining the fairness, from a financial point of view, of the merger consideration to PlanetOut s stockholders.

Pursuant to an engagement letter dated January 14, 2008, as amended by the amendment thereto, executed on January 7, 2009 (the Engagement Letter), PlanetOut s board of directors engaged Allen to assist PlanetOut in a possible sale or disposition of all or substantially all of the equity or assets of PlanetOut. Allen s services under the Engagement Letter included (i) acting as PlanetOut s financial advisor, (ii) advising PlanetOut with respect to its analysis of the proposed business combination, (iii) advising PlanetOut as to its view of any appropriate and alternative courses of action relating to the proposed business combination, (iv) assisting PlanetOut in structuring any such business combination, and (v) delivering to PlanetOut s board of directors its opinion as to the fairness of the merger consideration to the stockholders of PlanetOut, from a financial point of view. Allen was selected by PlanetOut s board of directors based on Allen s qualifications and reputation. Allen, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, private placements and related financings, bankruptcy reorganizations and similar recapitalizations, negotiated underwritings, secondary distributions of listed and unlisted securities, and valuations for corporate and other purposes.

Except as described herein, Allen does not have and has not had any material relationships involving the payment or receipt of compensation between Allen and PlanetOut, the HMI Parties or any of their respective affiliates during the last two years. Pursuant to an engagement letter, dated May 14, 2007, between Allen and PlanetOut, Allen has provided financial advisory services to PlanetOut, including acting as placement agent in connection with PlanetOut s private placement of $26.2 million of common stock consummated in July 2007. In addition, Allen advised PlanetOut in connection with its sale of PlanetOut s magazine and book publishing business unit to an HMI Entity in August 2008 (the Print Transaction). Allen, and to Allen s knowledge, certain of its affiliates, employees and related parties, beneficially own in the aggregate 238,872 shares of PlanetOut common stock and warrants to acquire 75,000 shares of PlanetOut common stock. In addition, in the ordinary course of its business as a broker-dealer and market maker, Allen may have long or short positions, either on a discretionary or nondiscretionary basis, for its own account or for those of its clients, in the debt and equity securities (or related derivative securities) of PlanetOut and any of its affiliates. The opinion was approved by Allen s fairness opinion committee.

Pursuant to the terms of the Engagement Letter, Allen was paid a fee of $400,000 upon delivery of the opinion to PlanetOut s board of directors, with such fee creditable against any Success Fee (as defined below) subsequently paid to Allen. Pursuant to the Engagement Letter, and conditioned upon the consummation of the proposed business combination, PlanetOut owes Allen a cash fee equal to $1,000,000 (the Success Fee), (a) $700,000 payable upon the closing of the proposed business combination and (b) $300,000 payable in 12 equal consecutive monthly installments of $25,000, beginning the first day of the first month after the closing of the proposed business combination. The Success Fee compensates Allen for both the proposed business combination and Allen s previous assignment in connection with the Print Transaction in August 2008. In addition, pursuant to the Engagement Letter, Allen was issued the above-described warrants to purchase 75,000 shares of common stock of PlanetOut, which were subsequently replaced by warrants to purchase an equal number of shares at the closing sale price of PlanetOut common stock on January 7, 2009. PlanetOut has also agreed to reimburse Allen s expenses up to $75,000 and indemnify Allen against certain liabilities arising out of such engagement.

Opinion and Financial Analyses of Viant Capital LLC Presented to PlanetOut s Board of Directors

PlanetOut has engaged Viant as its financial advisor to render its opinion to the PlanetOut board of directors as to the fairness, from a financial point of view, of the consideration to be received by the stockholders of PlanetOut in connection with the proposed business combination. Viant has not, and has not been requested to, identify any strategic options or alternatives on PlanetOut s behalf. At the meeting of the PlanetOut board of directors on January 7, 2009, Viant rendered its oral opinion, subsequently confirmed by delivery of a written opinion dated

January 7, 2009 that as of such date, based upon and subject to the various considerations set forth in the opinion, the merger consideration to be received by holders of shares of PlanetOut s common stock pursuant to the merger agreement was fair from a financial point of view to such holders (other than Here Media and its affiliates).

Viant s opinion is directed to the PlanetOut board of directors, addresses only the fairness from a financial point of view of the merger consideration pursuant to the merger agreement to holders of shares of PlanetOut, and does not address any other aspect of the proposed business combination. The Viant opinion does not constitute a recommendation to any stockholder of PlanetOut as to how that stockholder should vote on, or take any other action relating to, the merger. The full text of Viant s written opinion, dated as of January 7, 2009, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of review undertaken by Viant in rendering its opinion, is attached to this proxy statement/prospectus as Annex B. The summary of the Viant opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the Viant opinion. PlanetOut stockholders should read the Viant opinion carefully and in its entirety for a description of the procedures followed, the factors considered, and the assumptions made by Viant.

In arriving at its opinion, Viant has:

reviewed a draft of the merger agreement dated January 6, 2009 and certain related documents and has subsequently confirmed that nothing in the merger agreement executed on January 8, 2009, as compared to the draft dated January 6, 2009, would affect its opinion;

reviewed certain publicly available financial statements and other business and financial information of PlanetOut and the HMI Entities contributed assets;

reviewed certain internal financial statements and other financial and operating data concerning PlanetOut, the HMI Entities and the combined entity furnished to Viant by PlanetOut and the HMI Entities;

reviewed certain financial projections prepared by the management of PlanetOut and the HMI Entities;

discussed the past and current operations and financial condition and the prospects of PlanetOut with senior executives of PlanetOut and the HMI Entities and with PlanetOut s financial advisor, Allen;

reviewed the reported prices and trading activity for PlanetOut common stock;

compared the financial performance of PlanetOut and the prices and trading activity of PlanetOut common stock with that of comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

considered PlanetOut on a stand-alone basis, its ability to raise additional capital and relied upon the advice of management regarding current and estimated future performance;

reviewed with management the companies that Allen contacted on PlanetOut s behalf and with Allen and management discussed the outcome of those discussions;

reviewed with management PlanetOut s financial performance to date, PlanetOut s future projections, market conditions generally for the online advertising and media sectors and, more specifically, market conditions for PlanetOut s niche;

been advised by management regarding the expected overall declines in online advertising and other factors affecting PlanetOut s future performance; and

performed such other analyses and considered such other factors as Viant deemed appropriate.

In connection with its review and in arriving at its opinion, Viant assumed and relied upon the accuracy and completeness of all of the financial and other information reviewed or discussed with it for purposes of rendering its opinion, and upon the assurances of the management of PlanetOut and the HMI Entities that they are not aware of any information or facts that would make the information provided to Viant incomplete or misleading. Viant assumed all such information was accurate and complete in all respects. Viant did not independently verify such information (and did not assume responsibility for verifying any of such information), undertake an independent appraisal of the properties, facilities, assets or liabilities (contingent or otherwise) of Here Media or HMI Merger Sub and was not furnished with any such appraisals.

With respect to financial forecasts, Viant was advised by PlanetOut and the HMI Entities, and assumed without independent investigation, that they had been reasonably prepared and reflect PlanetOut and the HMI Entities management s best currently available estimates and good faith judgment as to the expected future financial performance of PlanetOut, the HMI Entities and the combined entity. The estimates, budgets and projections may or may not be achieved and differences between projected results and those actually achieved may be material. Neither Viant nor any of its advisors or accountants take any responsibility for the accuracy or completeness of any of the accompanying material. Viant also assumed, without independent investigation, that the proposed business combination will be consummated in accordance with the terms set forth in the draft merger agreement and related documents reviewed by it without any amendment thereto and without any waiver by any of the parties of any of the conditions to their respective obligations.

Viant is not a legal, tax or regulatory advisor and expressed no opinion as to legal, tax or regulatory matters. Viant did not make any independent valuation or appraisal of the assets or liabilities of PlanetOut or the HMI Entities, nor was Viant furnished with any such appraisals. Viant s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of January 7, 2009. Events occurring after January 7, 2009 may affect Viant s opinion and the assumptions used in preparing it, and Viant did not assume any obligation to update, revise or reaffirm its opinion. In arriving at its opinion, Viant was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction, involving PlanetOut.

Financial Analyses of Viant

In preparing its opinion, Viant performed a variety of financial and comparative analyses. The following paragraphs summarize the material financial analyses performed by Viant in arriving at its opinion. The order of analyses described does not represent relative importance or weight given to those analyses by Viant. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand-alone, and in order to more fully understand the financial analyses used by Viant, the tables must be read together with the full text of each summary. The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed on or prior to January 7, 2009, and is not necessarily indicative of current or future market conditions.

Comparable Public Companies Trading Analysis

Viant compared certain selected and projected financial information for PlanetOut, the HMI Entities and the combined entity to the corresponding publicly available data and ratios of the following publicly traded companies that Viant deemed relevant in the online, print and network/studios/distribution vertical markets:

Online	Print	Network/Studios/Distribution
Answers Corp.	Journal Communications Inc.	CBS Corporation
Google	Martha Stewart Living Omnimedia Inc.	Discovery Communications, Inc.
InfoSpace Inc.	Meredith Corp.	Image Entertainment, Inc.
Monster Worldwide, Inc.	News Corp.	Liberty Media Capital
Move, Inc.	Washington Post Co.	Lions Gate Entertainment Corp.
The Knot, Inc.		Navarre Corp.

TheStreet.com, Inc.	New Frontier Media Inc.
Time Warner Inc.	News Corp.
United Online Inc.	Outdoor Channel Holdings, Inc.
Yahoo! Inc.	Time Warner Inc.
	Viacom, Inc.
	Vivendi
	Walt Disney Co.

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The table below sets forth the following multiples for the above-selected companies in each of the online, print and network/studios/distribution markets (expressed as a range of mean and median multiples for the selected companies in each market), and an implied enterprise value of each comparable segment of the combined entity applying the multiples to the combined entity s pro forma projected financial data:

total enterprise value (defined as market capitalization plus total debt less cash and cash equivalents), as a multiple of total estimated revenues for calendar years 2009 and 2010; and

total enterprise value, as a multiple of estimated earnings before interest, taxes, depreciation, amortization and stock compensation expense (EBITDA) for calendar years 2009 and 2010.

Online	**Multiple Range**		**Implied Enterprise Value (In millions)**	
Total Enterprise Value to Estimated Revenue 2009	1.5x	1.6x	$ 25.29	$28.30
Total Enterprise Value to Estimated Revenue 2010	1.2x	1.4x	$ 20.46	$24.20
Total Enterprise Value to Estimated EBITDA 2009	6.6x	6.7x	$ 3.24	$ 3.30
Total Enterprise Value to Estimated EBITDA 2010	5.7x	5.9x	$ 32.05	$32.70

Print	**Multiple Range**		**Implied Enterprise Value (In millions)**	
Total Enterprise Value to Estimated Revenue 2009	0.8x	0.8x	$ 17.48	$19.02
Total Enterprise Value to Estimated Revenue 2010	0.8x	0.8x	$ 18.33	$19.11
Total Enterprise Value to Estimated EBITDA 2009	5.1x	5.3x	$ 2.50	$ 2.63
Total Enterprise Value to Estimated EBITDA 2010	4.8x	5.3x	$ 11.53	$12.89

Network/Studio/Distribution	**Multiple Range**		**Implied Enterprise Value (In millions)**	
Total Enterprise Value to Estimated Revenue 2009	1.4x	1.4x	$ 23.97	$24.31
Total Enterprise Value to Estimated Revenue 2010	1.3x	1.4x	$ 36.35	$36.67
Total Enterprise Value to Estimated EBITDA 2009	6.0x	6.5x	Not Meaningful	
Total Enterprise Value to Estimated EBITDA 2010	5.7x	6.0x	$ 26.71	$28.44

Precedent Transactions Analysis

Viant analyzed publicly available financial information for selected merger and acquisition transactions occurring since March 2006 in the same three markets used in the Comparable Public Companies Trading Analysis section: online, print and network/studios/distribution. Within the online category, Viant considered five separate transactions that occurred since March 2006. Within the print category, Viant considered six separate transactions that occurred since March 2006. Within the network/studios/distribution category, Viant considered six separate transactions that occurred since June 2006. The following table summarizes the transactions:

Online:

CBS Corporation s acquisition of CNET Networks, Inc.

Amazon.com s acquisition of Audible, Inc.

Liberty Media s acquisition of IAC/Interactive Corp.

Macrovision s acquisition of Gemstar TV Guide International

NBC Universal s acquisition of iVillage

Print:

Marpep Publishing s acquisition of MPL Communications

Source Interlink Companies acquisition of PRIMEDIA Enthusiast Media

Thomson Reuters acquisition of Thomas Reuters PLC

News Corp s acquisition of Dow Jones

Golden Tree Asset Management s acquisition of Reader s Digest

The McClatchy Company s acquisition of Knight-Ridder

Network/Studios/Distribution:

Q Black s acquisition of Image Entertainment

Entertainment One s acquisition of Four Television & Film Companies

Société générale de financement du Québec s acquisition of Alliance Films

Marwyn Investment Management s acquisition of Entertainment One

CanWest Global Communications acquisition of Alliance Atlantis Communications

Madison Dearborn Capital Partners acquisition of Univision Communications

In examining the selected transactions, Viant analyzed, for the selected transactions, the following information where available (expressed as a range of mean and median multiples for the selected transactions in each market), and applied such multiples to determine an implied enterprise value of each segment of the combined entity in the proposed business combination:

implied total enterprise value as a multiple of trailing twelve months (TTM) revenue; and

implied total enterprise value as a multiple of pro forma estimated TTM EBITDA.

With respect to the combined entity, since neither PlanetOut nor the HMI Entities developed complete 2008 pro formas for the combined entity, Viant applied TTM-related transaction multiples to 2009 projections for the combined entity and discounted this value back to use for 2008 purposes, using a discount rate of 20%. The following table summarizes Viant s analysis:

Online	**Multiple Range**		**Implied Enterprise Value (In millions)**		
Total Enterprise Value to TTM Revenue	2.8x	3.2x	$	40.30	$46.34
Total Enterprise Value to TTM EBITDA	22.7x	24.5x	$	9.25	$ 9.98

Implied

Print	Multiple Range		Enterprise Value (In millions)	
Total Enterprise Value to TTM Revenue	2.0x	2.1x	$ 37.66	$40.41
Total Enterprise Value to TTM EBITDA	13.7x	14.1x	$ 6.74	$ 6.95

Network/Studios/Distribution	Multiple Range		Implied Enterprise Value (In millions)	
Total Enterprise Value to TTM Revenue	0.8x	1.8x	$ 12.14	$26.04
Total Enterprise Value to TTM EBITDA	6.9x	9.0x	Not Meaningful	

Viant noted that there has been a significant decline in most equity markets, including in the online and technology sectors generally and the markets described above. In its analysis, Viant considered this decline when analyzing comparable merger transactions occurring prior to the market decline. Viant believes that less, rather than more, consideration must be given to the precedent transactions analysis than in the past and an assumption must be made that had the selected precedent transactions occurred today, the multiples would have been discounted to reflect overall market declines.

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Summary Valuation

Considering the factors described herein and the results of the above analyses, Viant determined an implied enterprise value range for each segment of the combined entity: online, print and network/studios/distribution, as follows:

Implied Enterprise Value Range	**Range (In millions)**		
Online	$	23.00	$27.00
Print	$	16.00	$18.00
Network/Studios/Distribution	$	24.00	$28.00

Viant aggregated the individual segments to determine an implied enterprise value for the combined entity, which it adjusted to account for the cash held by each of PlanetOut and the HMI Entities at closing (assumed to be $1-3 million from PlanetOut and $5 million from the HMI Entities) to determine an assumed total market value of the combined entity. The merger consideration payable to PlanetOut s stockholders at closing is 20% of the common stock, plus the special stock, of Here Media. Accordingly, Viant calculated the implied valuation of the merger consideration to be 20% of the total market value of the combined entity. Viant s analysis is summarized in the table below:

Summary Valuation	**Implied Value (In millions)**		
Online	$	23.00	$27.00
Print	$	24.00	$28.00
Network/Studios/Distribution	$	16.00	$18.00
Total Implied Enterprise Value	**$**	**63.00**	**$73.00**
Plus Cash at Closing	$	6.00	$ 8.00
Total Market Value	**$**	**69.00**	**$81.00**
Implied Value of Merger Consideration	**$**	**13.80**	**$16.20**

Viant compared the merger consideration to PlanetOut s market capitalization, comparing it with (a) the trailing 30 days average closing prices as of January 7, 2009 and (b) the trailing 60 days average closing prices as of January 7, 2009. Viant determined that the pro forma Here Media equity value represented a premium of between 642% and 771% over the trailing 30 days average closing prices as of January 7, 2009 and a premium of between 248% and 309% over the trailing 60 days average closing prices as of January 7, 2009. Viant found that the merger consideration represented a premium to PlanetOut s market capitalization at the top end of the range of estimated premiums paid in comparable mergers and acquisitions.

No selected company or participant in the precedent transactions utilized in the above analysis is identical to PlanetOut, the HMI Entities or the combined entity. In evaluating selected companies and precedent transactions and in otherwise performing its analyses, Viant made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond PlanetOut s control, such as the impact of competition on PlanetOut s businesses and the industry generally, industry growth and the absence of any material adverse change in the financial condition and prospects of PlanetOut or the industry or in the financial markets in general. The use of mean and median data to determine implied valuations is not in itself necessarily a meaningful method of using peer group data.

Viant performed a variety of financial and comparative analyses for the purpose of rendering its opinion. The summary set forth above does not purport to be a complete description of the analyses performed by Viant in connection with the rendering of its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Viant considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Viant believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. Except as described above, the fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given

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greater weight than any other analysis. The ranges of valuations resulting from any particular analysis described above should not be taken to be Viant s view of the actual value of PlanetOut or the combined entity. Any estimates contained in Viant s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. In addition, analyses relating to the values of businesses do not purport to be appraisals or necessarily reflect the prices at which businesses may actually be sold or the prices at which any securities have traded or may trade at any time in the future. Therefore, these analyses do not purport to be appraisals or to reflect the prices at which the shares of Here Media might actually trade

Viant conducted the analyses described above solely as part of its analysis of the fairness of the merger consideration to be received by the stockholders of PlanetOut pursuant to the merger agreement from a financial point of view to the stockholders of PlanetOut and in connection with the delivery of its opinion dated January 7, 2009 to the PlanetOut board of directors. Viant s opinion and its presentation to the PlanetOut board of directors was one of many factors taken into consideration by the PlanetOut board of directors in deciding to approve, adopt and authorize the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the PlanetOut board of directors with respect to the merger consideration or of whether the PlanetOut board of directors would have been willing to agree to a different merger consideration. Viant s opinion was approved by a committee of Viant investment banking and other professionals in accordance with its customary practice.

Under the terms of its engagement letter, Viant provided PlanetOut with a fairness opinion in connection with the proposed business combination. PlanetOut agreed to pay Viant a customary fee for its services and to reimburse Viant for reasonable out-of-pocket expenses incurred during the performance of such services. In addition, PlanetOut has agreed to indemnify Viant for certain liabilities arising out of Viant s engagement.

Interests of PlanetOut s Directors, Executive Officers and Principal Stockholders

In considering the recommendation of PlanetOut s board of directors with respect to the proposed business combination, PlanetOut stockholders should be aware that some of PlanetOut s board members, and executive officers have interests in the merger that are different from, or in addition to, the interests of other PlanetOut stockholders generally.

Director Positions with Here Media. As provided in the merger agreement, upon completion of the proposed business combination, Here Media s board of directors will include Mr. Jarchow, Mr. Colichman and Mr. Kleweno. Mr. Kleweno is currently the chairman of the PlanetOut board of directors.

Treatment of PlanetOut Equity Awards. All outstanding PlanetOut stock options and restricted stock awards will be accelerated and will become fully vested immediately prior to completion of the proposed business combination. All stock options will terminate if not exercised prior to the completion of the proposed business combination.

None of the directors and executive officers of PlanetOut intends to exercise his or her outstanding stock options.

The restricted stock awards currently held by PlanetOut s directors and executive officers are set forth in the following table.

Name	**Number of Shares**
Karen Magee	24,500
Daniel E. Steimle	
William Bain	2,500

Jerry Colonna	100
H. William Jesse, Jr.	100
Phillip S. Kleweno	350
John Marcom	450
Stephen B. Davis	450

Directors and Officers Liability Insurance. The merger agreement requires Here Media to use commercially reasonable efforts to provide officers and directors liability insurance with respect to acts or omissions occurring at or prior to the effective time covering each person covered immediately prior to the effective time by PlanetOut s then existing officers and directors liability insurance with substantially the same coverage and amounts as, and on terms and conditions that are reasonably comparable to, those in effect on the date of the merger agreement. Here Media, however, will not be obligated to cause the surviving corporation in the merger to pay premiums for such insurance in excess of 250% of the current premium paid by PlanetOut for such insurance. If the surviving corporation in the merger is not able to obtain insurance satisfying these requirements, it will be required to obtain as much comparable insurance as possible for an annual premium equal to 250% of the current premium paid by PlanetOut. The merger agreement also provides for continuation of the indemnification rights of officers and directors under PlanetOut s existing certificate of incorporation, bylaws and indemnification agreements. See Indemnification below.

Severance Payments. Ms. Magee and Mr. Bain are parties to employment agreements pursuant to which they may be entitled to receive severance payments from PlanetOut if their employment is terminated following or in connection with the completion of the proposed business combination.

If Ms. Magee is terminated within 16 months following or in connection with the completion of the proposed business combination for any reason (including constructive termination) other than cause or permanent disability, subject to signing a release with PlanetOut, she will be entitled to receive continued payment of her then current base salary for a period of 24 months, an amount equal to two times her average bonus (paid ratably over 24 months), and if she elects COBRA continuation coverage after termination of employment, reimbursement of her premium payments for up to 24 months.

If Mr. Bain is terminated within 16 months following or in connection with the completion of the proposed business combination for any reason (including constructive termination) other than cause or permanent disability, subject to signing a release, he will be entitled to receive continued payment of his then current base salary for a period of twelve months, and if he elects COBRA continuation overage after termination of employment, reimbursement of his premium payments for twelve months.

PlanetOut Stock Ownership. On December 31, 2008 PlanetOut s directors, executive officers and their affiliates owned approximately 1.73% of PlanetOut common stock entitled to vote on adoption of the merger agreement. The board of directors of PlanetOut was aware of these interests and considered them in approving the merger.

Principal Stockholders. The table below sets forth information regarding the beneficial ownership of our common stock as of December 31, 2008 by: (i) each person or entity known by us to beneficially own more than 5% of our outstanding shares of common stock; (ii) each executive officer as of December 31, 2008; (iii) each director as of December 31, 2008; and (iv) all executive officers and directors as a group as of December 31, 2008.

Beneficial ownership is determined in accordance with the rules of the SEC. The number of shares of common stock used to calculate the percentage ownership of each listed person includes the shares of common stock underlying options, warrants or other convertible securities held by that person that are exercisable within 60 days of December 31, 2008. The percentage of beneficial ownership is based on 4,088,754 shares outstanding as of December 31, 2008.

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Name and Address of Beneficial Owner	Beneficial Ownership(1) Number of Shares	Percent of Total
Greater than 5% Stockholders:		
T. Rowe Price Associates, Inc.(2) 100 East Pratt Street Baltimore, MD 21202	567,614	13.88%
S.F. Capital Partners Ltd.(3) c/o Stark Investments 3600 South Lake Drive St. Francis, WI 53235	555,485	13.59%
Cascade Investment, LLC(4) 2365 Carillon Point Kirkland, WA 98033	521,739	12.76%
Austin W. Marxe and David M. Greenhouse(5) 153 East 53rd Street New York, NY 10022	473,008	11.57%
PAR Investment Partners, L.P.(6) One International Place, Suite 2401 Boston, MA 02110	237,098	5.80%
Herbert A. Allen III(7) 711 Fifth Avenue New York, NY 10022	234,432	5.66%
Mayfield(8) 2800 Sand Hill Road, Suite 250 Menlo Park, CA 94025	222,590	5.44%
Officers and Directors:		
Karen Magee(9)	37,270	*
Bill Bain(10)	3,936	*
Daniel Steimle(11)	0	*
Jerry Colonna(12)	3,158	*
H. William Jesse, Jr.(13)	23,924	*
Phillip S. Kleweno(14)	1,000	*
John Marcom(15)	800	*
Stephen B. Davis(16)	800	*
All executive officers and directors as a group (8 persons)(17)	70,888	1.73%

* Less than 1.0%

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Unless otherwise indicated, the principal address of each of the stockholders named in this table is: c/o PlanetOut Inc., 1355 Sansome Street, San Francisco, California 94111.

(2) Includes 471,430 shares held by T. Rowe Price Media & Telecommunications Fund, Inc.

(3) The shares are held directly by SF Capital Partners Ltd. Messrs. Michael A. Roth and Brian J. Stark are the Managing Members of Stark Offshore Management, LLC, which acts as an investment manager and has sole power to direct the management of SF Capital. Through Stark Offshore, Messrs. Roth and Stark possess voting and dispositive power over the shares but disclaim beneficial ownership thereof.

(4) Based on a Form 3 filed on July 9, 2007, William H. Gates III exercises voting and investment control over the shares held by Cascade Investment, LLC.

(5) Includes 80,653 shares held by Special Situations Cayman Fund, L.P. and 392,355 shares held by Special Situations Fund III Q.P., L.P. Messrs. Marxe and Greenhouse are the controlling principals of AWM Investment Company, Inc., the general partner of and investment adviser to Special Situations Cayman Fund, L.P. AWM also serves as the general partner of MGP Advisers Limited Partnership, the general partner of Special Situations Fund III Q.P., L.P.

(6) The general partner of PAR Investment Partners, L.P. is PAR Group, L.P., and PAR Capital Management, Inc. is its general partner.

(7) Includes 156,593 shares held by Allen & Company LLC (including 52,500 shares beneficially owned by Allen & Company LLC of the 75,000 share warrant, which warrant is assumed to be fully vested for purposes of this table), 52,045 shares held by Allen SBH II, LLC, 259 shares held by MBOGO Inc. and 19,792 shares held by certain family members of Herbert A. Allen III. Mr. Allen, as President of Allen & Company LLC, as President of Allen SBH II, LLC and as President of MBOGO may be deemed to be a member of a group with such entities and to beneficially own the shares held directly by each of such entities. Mr. Allen disclaims beneficial ownership of the shares of PlanetOut common stock held by these entities except to the extent of his pecuniary interest. Further, Mr. Allen and such entities disclaim that Mr. Allen and such entities constitute a group for purposes of Rule 13d-5 of the Exchange Act. Mr. Allen holds dispositive power over the 19,792 shares held by certain of his family members but disclaims beneficial ownership of such shares. The amount set forth in the table excludes approximately 79,440 shares that are held by certain officers and employees of Allen & Company LLC and their related parties (including 22,500 shares beneficially owned by such officers, employees and their related parties of the 75,000 share warrant, which warrant is assumed to be fully vested for purposes of this table).

(8) Includes 91,484 shares held by Mayfield X, a Delaware limited partnership, 105,952 shares held by Mayfield X Management, LLC, 5,343 shares held by Mayfield X Annex, a Delaware limited partnership, 5,343 shares held by Mayfield X Annex Management, LLC, 3,523 shares held by Mayfield Associates Fund V, a Delaware limited partnership and 10,945 shares held by Mayfield Principals Fund, a Delaware limited liability company. Also includes 1,636 shares of common stock issuable upon exercise of options, all of which are fully vested, beneficially held by Mayfield X Management, LLC Mayfield X Management, LLC is the general partner of Mayfield X, Mayfield Associates Fund V and Mayfield Principals Fund. Mayfield X Annex Management, LLC is the general partner of Mayfield X Annex. Mr. Morgan, one of our former directors, is a managing director of Mayfield X Management, LLC and Mayfield X Annex Management, LLC, and disclaims beneficial ownership of shares held directly by Mayfield X, Mayfield X Annex, Mayfield Associates Fund V and Mayfield Principals Fund, except to the extent of his pecuniary interest.

(9) Includes 1,350 shares of common stock issuable upon the exercise of options that are exercisable within 60 days of as of December 31, 2008. Also includes 24,500 shares subject to forfeiture within 60 days of as of December 31, 2008.

(10) Includes 2,500 shares subject to forfeiture within 60 days of December 31, 2008.

(11) Mr. Steimle serves as Interim Chief Financial Officer for PlanetOut and as such does not receive opinions or restricted stock.

(12) Includes 2,558 shares of common stock issuable upon exercise of options that are exercisable within 60 days of December 31, 2008, all of which are fully vested. Also includes 100 shares subject to forfeiture within 60 days of December 31, 2008.

(13) Includes 5,427 shares held in a retirement account for Mr. Jesse s benefit. Also includes 1,894 shares of common stock issuable upon the exercise of options that are exercisable within 60 days of December 31, 2008, all of which are fully vested and subject to a resale restriction which lapses on the same vesting schedule as the original option grant. Also includes 100 shares subject to forfeiture within 60 days of December 31, 2008.

(14) Includes 350 shares subject to forfeiture within 60 days of December 31, 2008.

(15) Includes 400 shares subject to forfeiture within 60 days of December 31, 2008.

(16) Includes 400 shares subject to forfeiture within 60 days of December 31, 2008.

(17) Includes all of the shares referenced in notes (9) through (15) above.

Indemnification. The merger agreement provides that the provisions of the certificate of incorporation and bylaws of PlanetOut relating to indemnification of officers, directors, employees and agents will not be amended, repealed or otherwise modified in any manner that would adversely affect the rights of present and former officers and directors of PlanetOut, unless such modification is required by law. Accordingly, the surviving corporation in the merger will indemnify and hold harmless, and provide advancement of expenses to, all present and former officers and directors of PlanetOut with respect to acts or omissions occurring before the effective time of the proposed business combination, including those relating to the transactions contemplated by the merger agreement, to the fullest extent permitted by applicable laws.

The merger agreement further provides that after the completion of the business combination, Here Media will cause PlanetOut to fulfill and honor the obligations of PlanetOut under its certificate of incorporation and bylaws and under any indemnification agreements between PlanetOut and its present or former directors, officers and employees.

Trading of Here Media Stock; Exchange Act Registration and SEC Reporting

Neither the stock of Here Media nor the stock or limited liability company interests of any of the HMI Entities is publicly traded currently. The common stock of PlanetOut is listed on The Nasdaq Global Market, although PlanetOut was notified by Nasdaq on August 11, 2008 that the PlanetOut common stock failed to meet the minimum of $5 million market value for publicly held shares and that PlanetOut would have until April 30, 2009 to meet the requirements or the shares would be delisted from The Nasdaq Global Market. In addition, the PlanetOut common stock has been trading below the Nasdaq s $1.00 minimum trading price. While this requirement has been suspended by Nasdaq through April 19, 2009, there can be no assurance that after that date PlanetOut would be able to comply with the minimum bid price or the minimum market value of publicly held shares. In addition, Here Media may not be able to meet the much higher initial listing standards as would be required by the Nasdaq Stock Market in connection with the proposed business combination. In view of these facts and in an effort to contain costs, Here Media has concluded that it would not be advisable to seek to establish or maintain listing of its stock on any securities exchange. Accordingly, neither the Here Media common stock nor the Here Media special stock will be listed on any securities exchange or quoted on any automated quotation system upon completion of the proposed business combination. Quotations of Here Media common stock may be available on the OTC Bulletin Board if one or more brokerage firms are interested in providing such quotations.

Here Media intends to register its common stock under the Exchange Act as a successor issuer to PlanetOut and will, in that capacity, file reports with the Securities and Exchange Commission, including periodic reports on Forms 10-K and 10-Q. It will also be subject to the proxy solicitation requirements of Section 14a and its directors, executive officers and higher-than-10% stockholders will be subject to the reporting and the short-swing profits prohibitions of Section 16 of the Exchange Act.

Upon completion of the merger, PlanetOut will be a wholly owned subsidiary of Here Media and will accordingly no longer have any publicly traded stock. The listing of PlanetOut common stock on the Nasdaq Global Market will be terminated, it will no longer be registered under the Exchange Act and reports regarding PlanetOut as a separate company will no longer be filed with the Securities and Exchange Commission. PlanetOut will, however, be included as a consolidated subsidiary in the financial statements and SEC reports of Here Media.

Dividends

PlanetOut has never paid any cash dividends, and Here Media does not anticipate paying any dividends on its common stock for the foreseeable future.

Material U.S. Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences of the proposed business combination to U.S. holders of PlanetOut common stock who hold such stock as a capital asset. The summary is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations thereunder, and administrative rulings and court decisions in effect as of the date hereof, all of which are subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, the term U.S. holder means:

- a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States or any of its political subdivisions;
- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more United States persons or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or
- an estate that is subject to United States federal income tax on its income regardless of its source.

This discussion only addresses U.S. holders who hold shares of PlanetOut common stock as capital assets and does not purport to be a complete analysis of all potential tax consequences of the contribution and the merger through which the proposed business combination will be accomplished. In addition, this discussion does not address the tax consequences of transactions effected prior to or after the contribution and the merger (whether or not such transactions occur in connection with the contribution and the merger), including, without limitation, any exercise of a PlanetOut option or the acquisition or disposition of shares of PlanetOut common stock other than pursuant to the contribution and the merger. The discussion also does not address all aspects of U.S. federal income taxation that may be important to a U.S. holder in light of that holder s particular circumstances, such as:

- U.S. holders subject to special treatment under the United States federal income tax laws (for example, brokers or dealers in securities, financial institutions, mutual funds, insurance companies or tax-exempt organizations);
- U.S. holders that hold PlanetOut common stock as part of a hedge, appreciated financial position, straddle, conversion transaction or other risk reduction strategy;
- U.S. holders whose functional currency for United States federal income tax purposes is other than the U.S. dollar;
- Partnerships or other entities classified as a partnership for United States federal income tax purposes;
- U.S. holders liable for the alternative minimum tax; or
- U.S. holders who acquired PlanetOut common stock pursuant to the exercise of options or otherwise as compensation.

HOLDERS OF PLANETOUT COMMON STOCK ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE CONTRIBUTION AND THE MERGER TO THEM, INCLUDING THE EFFECTS OF UNITED STATES FEDERAL, STATE AND LOCAL, FOREIGN AND OTHER TAX LAWS.

Federal Income Tax Characterization of the Merger and the Contribution

In the opinions of Howard Rice, tax counsel to PlanetOut, and Mayer Brown LLP, tax counsel to Here Media, the merger and the contribution, taken together, will qualify as an exchange described in Section 351 of the Code. However, the tax opinions rely, and the conclusions provided therein depend, on the accuracy of certain factual representations to be provided by the respective parties regarding the merger and the contribution. Further, the tax opinions are subject to the qualifications and limitations contained therein. Nothing in this description or in any opinion of tax counsel regarding the tax treatment of the merger and the contribution is binding on the Internal Revenue Service (the IRS) or the courts, and the parties do not intend to request any rulings from the IRS with respect to any aspect of the contribution or merger. Accordingly, no assurances can be given that the IRS will not challenge such conclusions or that a court will not sustain such a challenge, if one is brought by the IRS.

Except as otherwise indicated, the following discussion assumes that the exchange of HMI ownership interests and PlanetOut common stock for Here Media common stock and special stock pursuant to the contribution and the merger, taken together, constitutes an exchange described in Section 351 of the Code. Although, as discussed below, the merger may separately qualify as a reorganization described in Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code, tax counsel is providing no opinion as to whether or not the merger so qualifies.

Federal Income Tax Consequences to PlanetOut Stockholders

Exchange of PlanetOut Common Stock for Here Media Common Stock and Special Stock

Except as noted below under the captions Tax Consequences Depend on Characterization of Special Stock and Tax Consequences May Differ if Merger Also Qualifies as Section 368 Reorganization :

No gain or loss will be recognized by a holder of PlanetOut common stock who receives Here Media common stock and special stock in exchange for PlanetOut common stock in the merger.

The aggregate tax basis of the Here Media common stock and special stock that the holder receives should be equal to the aggregate tax basis of the PlanetOut common stock surrendered in the merger and such basis should be allocated between the Here Media common stock and special stock received in proportion to the relative fair market value of each class of stock.

The holding period of the Here Media common stock and special stock received should include the time period during which the exchanged PlanetOut common stock was held by such participating stockholder.

Tax Consequences Depend on Characterization of Special Stock

Although Here Media and PlanetOut believe that the special stock is properly characterized as stock of Here Media that is not nonqualified preferred stock (as that term is defined in Section 351(g)(2) of the Code) and will treat such stock accordingly for U.S. federal and state income tax purposes, tax counsel will not opine as to the characterization of the special stock for tax purposes. Because there is no clear authority considering the characterization of a financial instrument with terms substantially similar to the special stock, any conclusion regarding the classification of such special stock for income tax purposes is necessarily uncertain. Accordingly, the IRS may challenge the parties characterization of the special stock for tax purposes and a court may conclude that such special stock is either nonqualified preferred stock or property other than stock.

If the special stock (contrary to the intent of the parties) is nonqualified preferred stock or otherwise treated as not being stock of Here Media for U.S. federal income tax purposes, a U.S. holder of PlanetOut stock would be required to recognize any gain realized in the merger, but only to the extent of the fair market value of the special stock received. Gain realized would equal the excess, if any, of (i) the sum of the fair market value of the Here Media common stock and special stock received in the merger over (ii) the holder s tax basis in the PlanetOut common stock surrendered in the merger. Gain or loss would be calculated separately for each identifiable block of shares of PlanetOut common stock surrendered in the merger (and not on an aggregate basis), and such holder could not offset a loss realized on one block of shares against gain recognized on another block of shares. (In no event would a participating holder be permitted to recognize any loss that may be realized in the merger.) Any gain recognized by the U.S. holder would generally be treated as capital gain, and would qualify for favored long-term capital gain treatment if the holding period for the shares of PlanetOut common stock surrendered in the merger is more than one year as of the effective time of the proposed business combination. The aggregate tax basis of the Here Media common stock received by a U.S. holder would be the same as the aggregate tax basis of the shares of PlanetOut common stock surrendered in the merger, decreased by the value of the special stock received, and increased by the amount of gain recognized. The holding period of the shares of Here Media common stock received in the merger would include the holding period of the shares of PlanetOut common stock surrendered in exchange therefor. The tax basis of the special stock received by a U.S. holder would be the fair market value of the special stock at the time it was received.

If the IRS were to challenge the treatment of the special stock as stock of Here Media and a court were to conclude that the special stock is not stock of Here Media for United States federal income tax purposes, the rules applicable to the holding, sale, transfer, exchange or other disposition of the special stock might differ from those applicable to stock. Holders of PlanetOut common stock are strongly urged to consult their own tax advisor regarding the tax consequences of holding, selling, transferring, exchanging or otherwise disposing of the special stock of Here Media.

Tax Consequences May Differ if Merger Also Qualifies as Section 368 Reorganization

It is possible that the merger may also independently qualify as a reorganization described in Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code. Qualification would depend on the merger satisfying certain tests, including, among other things, that the Here Media common stock represents at least 80% of the total Merger Consideration (the control test) and that PlanetOut after the merger continues to hold substantially all of the assets it held immediately prior to the merger (the substantially all the assets test). Because the Here Media shares are not publicly traded, it is very difficult to determine the relative values of the Here Media common stock and special stock with any degree of certainty. Accordingly, it is not possible to predict whether the control test will be satisfied in the merger, although Here Media believes that the special stock will likely represent significantly less than 20% of the total value of the merger consideration. In addition, proper application of the substantially all the assets test in the context of the proposed business combination is subject to ambiguity and uncertainty, such that no assurances can be given as to whether or not such test will be satisfied in the merger.

If the merger qualifies as a reorganization described in Sections 368(a)(1)(A) and 368(a)(2)(E), participating PlanetOut stockholders would still not recognize any gain or loss in the merger, unless the special stock is treated as nonqualified preferred stock or is otherwise treated as not being stock of Here Media for U.S. federal income tax purposes, as generally described above. However, for a holder that acquired blocks of PlanetOut common stock at different times and/or at different prices, the Here Media common stock and special stock received in the merger would be allocated tax basis based on the exchanged PlanetOut shares on a block-by-block basis (rather than on an aggregate basis as described above).

Straddle Rules

It is possible that the straddle rules under Section 1092 of the Code might be applicable to a taxpayer who holds both Here Media common stock and special stock, regardless of the characterization of the special stock as stock or otherwise. These special rules are applicable to positions that are part of a straddle, which consists of offsetting positions with respect to personal property. The applicability of these rules may affect the timing of when a loss is recognized or the applicable holding periods for United States federal income tax purposes in connection with the sale, transfer or other taxable disposition of shares of either class of stock. Holders of PlanetOut common stock are strongly urged to consult their tax advisor regarding the tax consequences of selling, transferring, exchanging or otherwise disposing of either common stock or special stock of Here Media.

Treatment of Dissenters

A holder of PlanetOut common stock who receives cash pursuant to the exercise of dissenters rights of appraisal will generally recognize capital gain or loss equal to the difference between the holder s adjusted tax basis in the PlanetOut common stock surrendered and the amount of cash received by the dissenting stockholder. Such capital gain or loss will be long-term capital gain or loss if the holder held the PlanetOut common stock for more than one year.

Information Reporting and Backup Withholding

Payments of cash pursuant to the merger will be subject to information reporting and backup withholding unless (i) they are received by a corporation or other exempt recipient or (ii) the recipient provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder s United States federal income tax liability and may entitle such U.S. holder to a refund, provided that the required information is timely furnished to the IRS.

Federal Income Tax Consequences to Here Media and PlanetOut

Neither Here Media nor PlanetOut will recognize any gain or loss for United States federal income tax purposes as a result of the contribution and the merger.

Employee Benefit Matters

The merger agreement provides that PlanetOut employees who begin participation in a Here Media benefit plan after the effective time of the proposed business combination will be given credit for their service with PlanetOut for purposes of eligibility to participate and vesting credit, and, solely with respect to vacation and severance benefits, benefit accrual in the Here Media benefit plans. Such employees will also be eligible for participation in employee benefit plans in the aggregate equivalent to those provided to similarly situated employees of Here Media.

Effect on Awards Outstanding Under Stock Plans

All outstanding PlanetOut stock options will be exercisable immediately prior to the merger and will terminate if not exercised. All restricted stock awards will vest and be converted into merger consideration at the effective time of the proposed business combination.

Board of Directors and Management of Here Media After the Proposed Business Combination

Upon completion of the proposed business combination, Here Media s board of directors will consist of Mr. Jarchow, Mr. Colichman and Mr. Kleweno.

Mr. Jarchow will be chairman of the board of directors, Mr. Colichman will be the chief executive officer and president, and Mr. Shyngle will be the chief accounting officer, of Here Media.

Regulatory Matters

No regulatory consents or approvals are required to complete the merger and the contribution.

Accounting Treatment

Here Media will account for the proposed acquisition under Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations*. After the closing of the proposed business combination, the purchase price will be allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values and the excess of the purchase price over the net tangible and identifiable intangible assets will be recorded as goodwill.

Appraisal Rights

The following discussion of the provisions of Section 262 of the Delaware General Corporation Law (DGCL) is not a complete statement of the law pertaining to appraisal rights and is qualified in its entirety *by reference to the full text of Section 262 of the Delaware General Corporation Law, a copy of which is attached to this document as Annex D and is incorporated into this summary by reference.*

PlanetOut is organized under Delaware law. Under Delaware law, a holder of record of outstanding shares of PlanetOut capital stock that does not vote those shares in favor of the adoption of the merger agreement will be entitled to exercise appraisal rights in connection with the merger, if it is completed, and receive in cash the fair value of the shares as determined by the Delaware Chancery Court. Under Section 262, PlanetOut must not less than 20 days before PlanetOut s special meeting, notify each holder of its capital stock of record as of the record date for the special meeting (, 2009) that appraisal rights are available and must include in the notice a copy of Section 262. PlanetOut intends that this document constitute the required notice. A holder of PlanetOut common stock who elects to exercise appraisal rights must:

deliver to PlanetOut, before the vote to adopt the merger agreement, written notice of the holder s intention to demand payment of the fair value of the holder s shares (this written notice must be in addition to and separate from any proxy or vote against the merger agreement; neither voting against adoption nor a failure to vote for the merger agreement will constitute such a notice); and

not vote in favor of adoption of the merger agreement (a failure to vote will satisfy the requirement, but a vote in favor of adoption of the merger agreement, by proxy or in person, or execution of a proxy without indicating how it should be voted, will constitute a waiver of the holder s appraisal rights and will nullify any previously filed written notice of intent to demand payment).

A stockholder who fails to comply with either of these conditions will have no appraisal rights with respect to the stockholder s shares.

Any person wishing to exercise appraisal rights must be the record holder of those shares on the date the person makes the written demand for appraisal and must continue to hold those shares until completion of the merger. **A stockholder who elects to exercise appraisal rights with respect to shares of PlanetOut common stock should deliver written notice thereof to PlanetOut, not later than the date of the PlanetOut special meeting and, in any event, prior to the vote on the merger at the PlanetOut special meeting, by hand delivery to PlanetOut Inc., 1355 Sansome Street, San Francisco, CA 94111, Attention: Secretary.** The notice should include the stockholder s telephone and facsimile numbers. The notice must be executed by, or on behalf of, the holder of record whose name should be stated as it appears on his, her or its stock certificate(s). The notice must identify the stockholder and indicate the intention of the stockholder to demand payment of the fair value of its shares. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, the demand should be made in that capacity. If the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a record holder; however, in the demand, the agent must identify the record owner or owners and expressly disclose that the agent is executing the demand as an agent for the record owner or owners. A record holder, such as a broker, who holds shares as nominee for several beneficial owners may exercise appraisal rights for the shares held for one or more beneficial owners and not exercise rights for the shares held for other beneficial owners. In this case, the written demand should state the number of shares for which appraisal rights are being demanded. When no number of shares is stated, the demand will be presumed to cover all shares held of record by the broker or nominee.

If the merger is completed, each holder of PlanetOut common stock who has perfected its appraisal rights in accordance with Section 262 will be entitled to be paid by PlanetOut for its PlanetOut common stock the fair value in cash of those shares. The Delaware Court of Chancery will appraise the shares, determining their fair value, exclusive of any element of value arising from the completion or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value of the shares. In determining such fair value, the court may take into account all relevant factors and upon such determination will then direct the payment of the fair value of the shares, together with any interest, to the holders of PlanetOut common stock who have perfected their appraisal rights. The shares of PlanetOut common stock with respect to which holders have perfected their appraisal rights in accordance with Section 262 and have not effectively withdrawn or lost their appraisal rights are referred to in this document as the dissenting shares.

Stockholders considering seeking appraisal for their shares should note that the fair value of their shares determined under Section 262 could be more, the same, or less than the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their shares. The court may determine the costs of the appraisal proceeding and allocate them among the parties as the court deems equitable under the circumstances. Upon application of a stockholder, the court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. In the absence of such determination or assessment, each stockholder bears its own expenses.

Within ten days after the effective date of the merger, the surviving corporation must mail notice to all stockholders who have demanded appraisal in compliance with the requirements of Section 262 notifying them that the merger has become effective. Within 120 days after the effective date, holders of dissenting shares may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery for the appraisal of their shares. However, any stockholder may, within 60 days of the effective date and prior to the filing of a petition, withdraw a demand for appraisal and accept the merger consideration to which it otherwise would have been entitled. At the hearing on such petition, the court will determine the stockholders who have perfected their appraisal rights. The court may require the holders of dissenting shares to submit their stock certificates to the Register in Chancery in order to note the pending appraisal proceedings on the stock certificate. The failure of a stockholder to comply with the court s direction may result in the court dismissing the proceedings as to that stockholder.

Within 120 days after the effective date, the holders of dissenting shares may, upon written request, receive from PlanetOut a statement setting forth the aggregate number of shares not voted in favor of adopting the merger agreement and with respect to which demands for appraisals have been received and the aggregate number of holders of those shares. PlanetOut must mail this statement to holders of shares who have perfected their appraisal rights in accordance with Section 262 within ten days after receiving a written request for this statement or within ten days after the expiration of the 20-day period for delivery of demands for appraisals, whichever is later. A person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person s own name, file a petition or request from the corporation the statement described in this subsection.

Any holder of PlanetOut common stock who demands an appraisal in compliance with Section 262 will not, after completion of the merger, be entitled to vote its shares for any purpose or be entitled to payment of dividends or other distributions on those shares, other than dividends or other distributions payable as of a date on or before the date of completion of the merger.

After the Court of Chancery determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court of Chancery shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Stockholders who are seeking appraisal should be aware that the fair value of their shares as determined by Section 262 could be more than, the same as or less than the consideration they would receive pursuant to the Merger if they did not seek appraisal of their shares and that investment banking opinions as to the fairness from a financial point of view are not necessarily opinions as to fair value under Section 262. The Delaware Supreme Court has stated that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings. In addition, Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenter s exclusive remedy. Unless the Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment.

If any holder of PlanetOut common stock who demands appraisal of the holder s shares under Section 262 fails to perfect, or effectively withdraws or loses the right to appraisal, the holder s shares will be converted into a right to

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receive the merger consideration with respect to the holder s dissenting shares in accordance with the merger agreement. Dissenting shares will lose their status as dissenting shares if:

- the merger is abandoned;
- the stockholder seeking appraisal rights fails to make a timely written demand for appraisal;
- after making a timely written demand for appraisal, the stockholder fails to continuously own the shares until the effective time of the merger;
- neither PlanetOut nor a stockholder who has otherwise complied with Section 262 files a petition for appraisal in the Delaware Court of Chancery within 120 days after the effective date of the merger; or
- the stockholder delivers to Here Media following the business combination, within 60 days of the effective date of the merger, or thereafter with Here Media s approval, a written withdrawal of the stockholder s demand for appraisal of the dissenting shares, although no appraisal proceeding in the Delaware Court of Chancery may be dismissed as to any stockholder without the approval of the court; provided, however, that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation.

Failure to follow the steps required by Section 262 for perfecting appraisal rights may result in the loss of appraisal rights, in which event a PlanetOut stockholder will be entitled to receive consideration with respect to the holder s dissenting shares in accordance with the merger agreement. In view of the complexity of the provisions of Section 262, PlanetOut stockholders are encouraged to consult with their own legal advisors regarding appraisal rights.

THE MERGER AGREEMENT

General

The following description summarizes the material provisions of the merger agreement. It is qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as Annex C to this proxy statement/prospectus and is incorporated herein by reference. The provisions of the merger agreement are extensive and not easily summarized. This summary may not contain all of the information about the merger agreement that you may believe to be important. Accordingly, you should read the merger agreement carefully in its entirety for a more complete understanding of its terms.

Structure of the Proposed Business Combination

The merger agreement provides for the proposed business combination of PlanetOut and the HMI Entities to be accomplished in two concurrent steps. The first is the merger of Merger Sub, a wholly owned subsidiary of Here Media incorporated solely for that purpose, with and into PlanetOut, with stock of Here Media being issued in the merger for PlanetOut s outstanding stock, and PlanetOut surviving the merger as a wholly owned subsidiary of Here Media. PlanetOut, in its form as a wholly owned subsidiary of Here Media following the merger, is referred to in the merger agreement and in this document as the surviving corporation. Concurrently with the merger, the HMI Owners will contribute their ownership interests in the HMI Entities, consisting of stock and limited liability company interests constituting 100% ownership of the HMI Entities, to Here Media in exchange for Here Media stock.

Transaction Consideration

Upon completion of the merger, each PlanetOut stockholder will be entitled to receive one share of Here Media common stock and one share of Here Media special stock, referred to as the merger consideration, for each share of PlanetOut common stock the stockholder holds. Based on the number of shares of PlanetOut common stock deemed outstanding as of the date hereof, the merger consideration will, in the aggregate, consist of 4,175,754 shares of Here Media common stock and an equal number of shares of Here Media special stock. In connection with the concurrent completion of the contribution, and assuming that the number of shares of PlanetOut common stock does not change between the date hereof and the date the proposed business combination is completed, the HMI Owners will receive an aggregate of 16,703,016 shares of Here Media common stock in exchange for their HMI Ownership Interests. The HMI Owners will not receive any shares of Here Media special stock. The merger agreement provides that the number of shares of Here Media common stock to be received by the HMI Owners will be adjusted to reflect any increase or decrease in the number of shares of PlanetOut common stock outstanding between the date of the merger agreement and the date of completion of the proposed business combination so as to maintain a fixed ratio between the number of shares of Here Media common stock to be received by PlanetOut stockholders and the HMI Owners. Giving effect to all exchanges of shares and limited liability company interests in the merger and the contribution, the pre-transaction PlanetOut stockholders will hold 20% of the Here Media common stock and 100% of the Here Media special stock, and the pre-transaction HMI Owners will hold 80% of the Here Media common stock and no Here Media special stock.

Exchange of PlanetOut Shares for Merger Consideration

As provided in the merger agreement, Here Media will appoint PlanetOut s stock transfer agent or another bank or trust company reasonably acceptable to PlanetOut (the Exchange Agent) for the purpose of conducting the exchange of the merger consideration for outstanding shares of PlanetOut common stock. Promptly after the closing date of the merger and the contribution, the Exchange Agent will send a letter of transmittal form and instructions for exchanging certificates representing shares of PlanetOut common stock for the merger consideration to each record holder of PlanetOut common stock at the effective time of the proposed business combination.

Under the merger agreement, the Exchange Agent and Here Media will be entitled to deduct and withhold from the merger consideration otherwise payable to any holder of shares of PlanetOut common stock such amounts as the

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surviving corporation or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code or any provision of state, local or foreign tax law. To the extent that amounts are so deducted and withheld, the withheld amounts will be treated for all purposes as having been paid to the holder of the shares of PlanetOut common stock in respect of which the deduction and withholding is made.

STOCKHOLDERS SHOULD NOT SEND IN THEIR CERTIFICATES REPRESENTING PLANETOUT SHARES AT THIS TIME. Any certificates received without the letter of transmittal form that the Exchange Agent will send to PlanetOut stockholders will be returned to the persons submitting them. This could result in delay in the receipt of the merger consideration by stockholders whose stock certificates are submitted prematurely.

Representations and Warranties

The merger agreement contains representations and warranties made by Here Media and PlanetOut that are customary for a transaction of this type. These include, among others, representations and warranties relating to each company s due incorporation, valid existence and authority to enter into the merger agreement, the respective financial statements of PlanetOut and the HMI Entities, various aspects of their respective businesses, absence of litigation or liabilities relating to any of such parties and compliance by the respective parties with applicable law. Some of the representations and warranties are qualified by concepts of materiality or material adverse effect, referred to with respect to Here Media and PlanetOut as Here Media Material Adverse Effect and PlanetOut Material Adverse Effect, respectively. For purposes of the merger agreement, Material Adverse Effect means a material adverse effect on the business, operations financial condition or results of operations of a party and its subsidiaries, taken as a whole, provided that, in determining whether or not a Material Adverse Effect has occurred, no adverse effects resulting from certain matters, including the following, will be taken into account:

changes in the economy in general if they do not disproportionately affect PlanetOut or the HMI Entities, respectively;

changes in the parties respective industries but only if a party is not disproportionately affected thereby;

any change in the trading price of PlanetOut s common stock;

any effect on a party resulting from actions taken pursuant to the merger agreement or at the request of or with the written consent of the other party or parties to the merger agreement; or

any effect arising as a result of the announcement of the transactions contemplated by the merger agreement.

The representations and warranties included in the merger agreement were made for purposes of the merger agreement only and are subject to qualifications and limitations agreed by the respective parties in connection with negotiating the terms of the merger agreement, including those stated in separate disclosure schedules that are not included with this document. In addition, some of the representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders or under applicable securities laws, or may have been used for purposes of allocating risk between the respective parties rather than establishing the stated matters as facts. This description of the representations and warranties, and their reproduction in the copy of the merger agreement attached to this document as Annex C, are included solely to provide investors with information regarding the terms of the merger agreement. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this proxy statement/prospectus.

The representations and warranties contained in the merger agreement will not survive the effective time of the proposed business combination. This means that they will not provide a basis for liability on the part of the party giving them after the merger and the contribution transactions are completed. They will, however, provide a basis for termination of the merger agreement under certain circumstances if they are or become incorrect in one or more material respects before the effective time of the proposed business combination.

Covenants

Each of Here Media and PlanetOut has undertaken certain covenants in the merger agreement. The following summarizes the more significant of these covenants.

Conduct of Business of PlanetOut and the HMI Entities. PlanetOut has agreed to conduct its business in the ordinary course consistent with past practice, to use commercially reasonable efforts to preserve intact its business organization, keep available the services of its present executive officers and key employees and preserve its relationships with customers, suppliers, licensors and others having business dealings with it. It has also agreed not to engage in specified types of transactions or to take other specified types of actions, in each case prior to the completion of the proposed business combination, without the prior written consent of Here Media. Here Media and the HMI Entities have agreed to certain more limited restraints on their business activities prior to completion of the proposed business combination without the prior written consent of PlanetOut.

PlanetOut Board of Directors Covenant to Recommend. The PlanetOut board of directors has agreed to recommend the adoption of the merger agreement and approval of the merger by PlanetOut stockholders, to call a meeting of the PlanetOut stockholders for that purpose and to use commercially reasonable efforts to obtain the PlanetOut stockholder approval. The PlanetOut board of directors, however, may withdraw or modify its recommendation in a manner adverse to Here Media, or postpone the special meeting for a period of up to five business days as discussed below.

No Solicitation by PlanetOut. PlanetOut has agreed in the merger agreement that it will not:

solicit, initiate or knowingly encourage, directly or indirectly, any inquiries regarding or the submission of, any takeover proposal (as defined below);

participate in any discussions or negotiations regarding, or furnish any material non-public information or data with respect to, or take any other action to knowingly facilitate, the making of any proposal that constitutes, or may reasonably be expected to lead to, any takeover proposal; or

except as described below, enter into any agreement with any third party with respect to any takeover proposal or approve or resolve to approve any takeover proposal.

However, PlanetOut or its board of directors may:

make such disclosure to PlanetOut s stockholders as, in the good faith judgment of the board of directors, after receiving advice from outside legal counsel, is required under applicable law; and

withdraw its recommendation in favor of adoption of the merger agreement or modify its recommendation in a manner adverse to Here Media if PlanetOut s board of directors determines in good faith, after receiving advice of outside legal counsel, that such action is required to discharge the board of directors fiduciary duties to PlanetOut stockholders under Delaware Law.

In addition, PlanetOut or its board of directors may, prior to the adoption of the merger agreement by PlanetOut s stockholders;

negotiate and participate in negotiations and discussions with any third party concerning a takeover proposal if such third party or group has submitted a superior proposal (as defined below);

furnish to such a third party or its representatives nonpublic information relating to PlanetOut pursuant to a confidentiality agreement containing terms and conditions similar to those of the existing confidentiality agreement entered into between PlanetOut and Here Media, provided that PlanetOut promptly, and in any event within 24 hours, provides to Here Media any non-public information concerning PlanetOut provided to any other person or group that was not previously provided to Here Media;

terminate the merger agreement in connection with a superior proposal, provided that PlanetOut pays a termination fee (as described below) and follows certain procedures set forth in the merger agreement; and

postpone the special meeting following a change in the PlanetOut board of directors recommendation under the above-described circumstances for a period of up to five business days if the board of directors determines in good faith, after receiving advice from outside legal counsel, that such action is required by applicable securities laws or is required to discharge the board of directors fiduciary duties to PlanetOut s stockholders under Delaware Law.

The term takeover proposal as defined in the merger agreement means any inquiry, proposal or offer from a third party to acquire beneficial ownership of assets constituting 25% or more of the consolidated revenues, net income or assets of PlanetOut and its subsidiaries or 25% or more of any class of equity securities of PlanetOut or any of its subsidiaries pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of assets, tender offer, exchange offer or similar transaction with respect to PlanetOut or any of its subsidiaries

The term superior proposal as defined in the merger agreement means an unsolicited written proposal by a third party to acquire, directly or indirectly, more than 50% of PlanetOut s outstanding common stock or all or substantially all of PlanetOut s assets that is (i) on terms which the PlanetOut board of directors determines in good faith, after receiving advice of its independent financial advisors, to be more favorable to PlanetOut stockholders from a financial point of view than the transactions provided for in the merger agreement (including any adjustment to the terms and conditions of the transactions provided for in the merger agreement that may be proposed by Here Media after presentation of the potential superior proposal), and (ii) which, in the good faith reasonable judgment of PlanetOut s board of directors is reasonably likely to be consummated within a reasonable time.

Commercially Reasonable Efforts Covenant. Here Media and PlanetOut have agreed to use their respective commercially reasonable efforts to complete the transactions provided for in the merger agreement and to fulfill the conditions to closing under the merger agreement or to cause them to be fulfilled. This will include cooperation by each party with the other in promptly preparing and filing any necessary documentation, including any applications, notices, petitions or other filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and any governmental entities that are necessary or advisable to complete the transactions contemplated by the merger agreement.

Indemnification and Insurance

These matters are discussed above under the headings The Proposed Business Combination Interests of PlanetOut s Directors, Executive Officers and Principal Stockholders Directors and Officers Liability Insurance and The Proposed Business Combination Interests of PlanetOut s Directors, Executive Officers and Principal Stockholders Indemnification.

Conditions to Completion of the Proposed Business Combination

Conditions to Obligations of All Parties. The merger agreement provides that the obligations of PlanetOut, Here Media and the HMI Owners to complete the merger and the contribution are subject to the satisfaction at or prior to the effective time of each of the following conditions:

approval of the merger and adoption of the merger agreement by the affirmative vote of a majority of the outstanding shares of PlanetOut common stock entitled to vote thereon;

absence of any temporary restraining order, preliminary or permanent injunction or other court order or regulatory restraint, and the absence of any statute, regulation or order preventing or prohibiting the consummation of the merger and the contribution;

any required governmental approvals, waivers, consents or indications of non-objection shall have been obtained;

the registration statement under the Securities Act of which this proxy statement is a part shall have been declared effected by the SEC (which occurred prior to the distribution of this proxy statement) and no stop order suspending the effectiveness of the registration statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the SEC.

Conditions to the Obligations of Here Media and the HMI Owners. The merger agreement provides that the obligations of Here Media and the HMI Owners to complete the merger and the contribution are subject to the satisfaction of each of the following conditions:

the accuracy in all respects of specified representations and warranties made by PlanetOut in the merger agreement relating to its corporate existence, capitalization, power and authorization to enter into the merger

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agreement and the binding legal effect of the merger agreement on PlanetOut and the accuracy in all material respects of the remaining representations and warranties made by PlanetOut in the merger agreement; provided that inaccuracies in all such representations and warranties will be disregarded for this purpose if all circumstances constituting such inaccuracies, considered collectively, do not constitute, and would not reasonably be expected to have or result in, a material adverse effect on PlanetOut;

performance in all material respects by PlanetOut of all of its obligations and covenants set forth in the merger agreement that are required to be performed at or prior to the consummation of the merger and the contribution;

Here Media and the HMI Owners shall have received a certificate of PlanetOut s chief executive officer or chief financial officer confirming that the above-described conditions have been satisfied;

the absence since the date of the merger agreement of any event, development, circumstance or set of circumstances which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on PlanetOut;

receipt by Here Media of an opinion of Mayer Brown LLP, its legal counsel, to the effect that for U.S. federal income tax purposes the contribution and the merger, taken together, will constitute exchanges described in Section 351 of the Internal Revenue Code of 1986, as amended, and the HMI Owners will not recognize any gain or loss for U.S. federal income tax purposes as a result of the contribution and the merger; and

holders of not more than 5% of PlanetOut s outstanding common stock shall have made a demand for appraisal and payment for their shares pursuant to Section 262 of the Delaware General Corporation Law.

Conditions to the Obligations of PlanetOut. The obligation of PlanetOut to complete the merger and the contribution is subject to the satisfaction of each of the following conditions:

the accuracy in all material respects of the representations and warranties made by Here Media in the merger agreement, provided that inaccuracies in such representations and warranties will be disregarded for this purpose if all circumstances constituting such inaccuracies, considered collectively, do not constitute, and would not reasonably be expected to have or result in, a material adverse effect on Here Media and the HMI Entities taken as a whole;

performance in all material respects by Here Media of all of its obligations and covenants set forth in the merger agreement that are required to be performed at or prior to the consummation of the mergers and the contribution;

PlanetOut shall have received a certificate executed on behalf of Here Media, the HMI Entities and the HMI Owners by an authorized officer confirming that the above-described conditions have been satisfied;

the absence since the date of the merger agreement, of any event, development or set of circumstances which, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on Here Media and the HMI Entities taken as a whole; and

Here Media and the HMI Entities shall, in the aggregate, have cash and cash equivalents (as defined in the same manner as defined by PlanetOut in the preparation of its financial statements) not subject to a lien to a secure indebtedness, other than general liens covering all or substantially all of the assets of Here Media or one or more of the HMI Entities, equal to the sum of $5,200,000 reduced by up to $500,000 of the costs and expenses incurred by Here Media, the HMI Entities and the HMI Owners in connection with the transactions provided for in the merger agreement, including fees and disbursements of accountants and legal counsel.

Termination

The merger agreement provides that Here Media and PlanetOut may terminate the merger agreement by mutual written consent at any time prior to the effective time of the proposed business combination whether before or after the requisite approvals of PlanetOut s stockholders has been obtained.

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The merger agreement also provides that, at any time prior to the closing, either before or after the requisite approval of PlanetOut s stockholders has been obtained, either company may terminate the merger agreement:

if the proposed business combination has not been completed on or before April 30, 2009; *provided* that neither Here Media nor PlanetOut may terminate the merger agreement pursuant to this provision if the failure of such completion to occur on or before that date is the result of its breach of any of its obligations under the merger agreement;

if PlanetOut s stockholders have not adopted the merger agreement and approved the merger at the special meeting or any postponement or adjournment thereof;

if a permanent injunction or other order of a court or other competent authority preventing the consummation of the merger shall have become final and nonappealable;

if there occurs a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the other party that would cause the related closing condition not to be satisfied, the party seeking to terminate gives written notice to the other party of such party s breach or failure, and such breach or failure is not cured within 20 business days of receipt of such notice; provided that neither PlanetOut nor Here Media may terminate the merger agreement pursuant to this provision if such party is at that time in material breach of the merger agreement;

if the PlanetOut board of directors has recommended, endorsed, accepted or agreed to a takeover proposal, or has resolved to do so, or has withdrawn or modified, or has resolved to do so, in a manner adverse to Here Media its recommendation to the PlanetOut stockholders to adopt the merger agreement and approve the merger;

if the PlanetOut board of directors has not sent the PlanetOut stockholders a statement recommending rejection of any tender or exchange offer or solicitation made in connection with any takeover proposal within ten business days of commencement thereof.

The merger agreement also provides that PlanetOut may terminate the merger agreement prior to the adoption of the merger agreement by the PlanetOut stockholders in order to enter into an agreement with respect to a superior proposal if:

PlanetOut notifies Here Media of its intention to terminate the merger agreement to accept a superior proposal, specifying the terms and conditions of the superior proposal; and

Here Media has not made within five business days of receipt of such notice an offer that PlanetOut s board of directors determines in good faith, after receiving advice from its independent financial advisors, is at least as favorable, taking into account the termination fee that would be payable by PlanetOut in such event (described below), as the superior proposal.

Termination Fee Payable by PlanetOut

The merger agreement provides that PlanetOut will pay Here Media a termination fee of $500,000 in cash if any of the following events occurs:

the merger agreement is terminated by Here Media under the provisions of the merger agreement permitting such termination in the event that the PlanetOut board of directors has withdrawn its recommendation to the

PlanetOut stockholders to adopt the merger agreement, recommended, endorsed, accepted or agreed to a takeover proposal or has resolved to do so, or modified its recommendation in a manner adverse to Here Media or has failed to make a timely statement recommending rejection of a tender or exchange offer or solicitation;

the merger agreement is terminated by PlanetOut under the provision of the merger agreement permitting such termination in the event that PlanetOut proposes to accept a superior proposal; or

the merger agreement is terminated by Here Media due to a breach of the agreement by PlanetOut or the merger agreement is terminated by PlanetOut or Here Media due to a permanent injunction or other court order or failure of the PlanetOut stockholders to adopt the merger agreement and approve the merger, prior to the time of termination a takeover proposal shall have been made with respect to PlanetOut, and within twelve months after termination of the merger agreement either a definitive agreement is entered into by PlanetOut with respect to a takeover proposal or a takeover proposal is consummated.

Other Expenses

Except as described in the following paragraph, the costs and expenses incurred by each party to the merger agreement in connection with the merger agreement and the transactions contemplated thereby will be borne by the respective parties incurring them. For this purpose, the parties have agreed that the expenses incurred in connection with printing and distributing this proxy statement, one-half of the filing fees in connection with the registration statement of which this proxy statement forms a part and one-half of any other filing fees payable to governmental entities in connection with the transactions provided for in the merger agreement shall be considered expenses of PlanetOut.

Notwithstanding the above general agreement of the parties regarding transaction expenses, the merger agreement provides that PlanetOut will pay subject to certain caps and limitations the reasonable, actual and documented out-of-pocket fees and expenses incurred by Here Media, the HMI Entities and the HMI Owners on or prior to the termination of the merger agreement in connection with the transactions contemplated thereby in certain circumstances. These circumstances include termination of the merger agreement due to certain breaches of representations, warranties or covenants of PlanetOut, or failure of PlanetOut s stockholders to adopt the merger agreement and approve the merger and no takeover proposal has been made prior thereto (subject in such event to a maximum expense reimbursement of up to $500,000). Such expenses would also be required to be paid by PlanetOut in the event that PlanetOut s board of directors withdraws or modifies in a manner adverse to Here Media the board s recommendation to PlanetOut stockholders to approve the merger and adopt the merger agreement if such withdrawal or modification is based solely on an actual breach of representation, warranty or covenant by Here Media, any of the HMI Entities or any of the HMI Owners. Any request for such payment of expenses may only be made in connection with or after termination of the merger agreement.

Amendments; Waivers

The merger agreement provides that any provision of the merger agreement may be amended or waived before the effective time of the proposed business combination if, but only if, the amendment or waiver is in writing and signed, in the case of an amendment, by each party to the merger agreement or, in the case of a waiver, by each party against whom the waiver is to be effective. After adoption of the merger agreement by the PlanetOut stockholders, however, no amendment or waiver may reduce the amount or change the kind of consideration to be received in exchange for their PlanetOut common stock or make any other change requiring PlanetOut stockholder under applicable law without further approval by the PlanetOut stockholders.

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DIRECTORS, MANAGEMENT AND PRINCIPAL STOCKHOLDERS OF HERE MEDIA

Directors and Senior Management of Here Media after the Proposed Business Combination

Here Media will initially have three directors on completion of the proposed business combination. Here Media s certificate of incorporation divides Here Media s board of directors into three classes: Class I, Class II and Class III. At each annual meeting, Here Media stockholders will elect the members of one of the three classes to three-year terms. The initial term of the Class I director will expire at the annual meeting in 2010, the Class II director in 2011 and the Class III director in 2012.

Upon completion of the proposed business combination, Mr. Colichman will be the chief executive officer and president, and Mr. Shyngle will be the chief accounting officer, of Here Media.

Information regarding the directors and senior management of Here Media after the proposed business combination is presented below:

Name	Age	Position with Here Media	Expiration of Initial Term
Paul A. Colichman	47	Chief Executive Officer and President, Director	2011
Stephen P. Jarchow	57	Chairman of the Board of Directors	2012
Phillip S. Kleweno	47	Director	2010
Tony Shyngle	48	Chief Accounting Officer	N/A

Paul A. Colichman is the Chief Executive Officer of Here Networks and Regent Entertainment Media and has served in this capacity for each company since its inception. Mr. Colichman has been involved in the production and distribution of over 200 motion pictures. He has also produced or created thousands of hours of television programming, including made-for-TV movies, talk shows, live events and original series. Mr. Colichman holds a B.A. and an MBA (with honors) from UCLA.

Stephen P. Jarchow is the Chairman of the Board of Directors of Here Networks and Regent Entertainment Media and has served in this capacity for each company since its inception. Mr. Jarchow is also chairman of Jarchow Investment Group. Mr. Jarchow has been involved in the production or distribution of more than 150 motion pictures. He serves on the Board of Trustees of Otis College of Art and Design and has been an adjunct professor of entertainment law at Southern Methodist University. He began his career as a tax and real estate lawyer and subsequently became a partner at an international real estate development company and a senior managing director at an investment banking firm. Mr. Jarchow received a B.B.A., M.S. and J.D. (with honors) from the University of Wisconsin-Madison. Mr. Jarchow has written five books on real estate and finance.

Phillip S. Kleweno has served on the PlanetOut board of directors since February 2007. Since August 2008, he has been a partner with the Bain Corporate Renewal Group in New York City. Prior to joining Bain, he was the President and Chief Executive Officer of Teleflora, LLC, a Los Angeles-based floral wire service and marketer of floral bouquets via the Internet, a position he held from May 2004 until July 2006. From May 2001 to April 2003, Mr. Kleweno was the President of Princess Cruises, a cruise line operator that markets, sells and delivers cruise vacations primarily to the North American market. Earlier in his career, Mr. Kleweno was a partner at Bain &

Company, with industry expertise in areas including retail, media, travel and e-commerce. He holds a B.S. in Finance from Arizona State University and an MBA from the Harvard Business School.

Tony Shyngle is the Chief Accounting Officer of Here Networks and Regent Entertainment Media and has several years of diversified financial management experience. Prior to joining Here Networks and Regent Entertainment Media, he served as the Director of Accounting in the theatrical film and television group at NBCUniversal. Mr. Shyngle was an Auditor at Deloitte & Touche, LLP, where he was involved in financial statement audits, SEC filings, initial public offerings, and internal control audits of multinational corporations. He holds a B.S. in Accounting from California State University, Los Angeles, and he is a Certified Public Accountant (inactive).

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Committees of Here Media Board of Directors

Here Media intends to have a small number of directors to promote efficiency in its operations and, accordingly, does not intend to appoint standing committees of its board of directors.

Compensation of Directors and Executive Officers

Each director of HMI Media will receive annual fees of $24,000. Each of Mr. Jarchow and Mr. Colichman has elected to receive a salary of $1.00 for the first year following the consummation of the proposed business combination. Mr. Shyngle s salary has not been determined.

Principal Stockholders of Here Media

The following table sets forth information, as of the date of this document, regarding the beneficial ownership of Here Media common stock, after giving effect to the proposed business combination, of:

each person that will be a beneficial owner of more than 5% of Here Media common stock;

each of the executive officers of Here Media;

each director of Here Media; and

all directors and executive officers of Here Media, taken together.

Beneficial ownership is determined for this purpose in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Here Media common stock shown as beneficially owned by them. Percentage of beneficial ownership is based on the estimated 20,791,770 million shares of Here Media common stock that will be outstanding immediately following the proposed business combination, and on the ownership of PlanetOut and the HMI Entities common stock or membership interests, as applicable, as of December 31, 2008.

Name of Beneficial Owner	**Number of Shares**	**Percent**
Stockholders owning approximately 5% or more:		
Here Management LLC(1)	15,593,828	75%
Directors and Executive Officers:		
Stephen P. Jarchow(2)	623,753	3%
Paul A. Colichman(3)	415,835	2%
Phillip S. Kleweno	1,000	*%
Tony Shyngle		
Directors and Executive Officers as a Group (3 persons)	1,040,588	

* Less than 1%.

(1) Mr. Jarchow owns 51%, Mr. Colichman owns 35% and Mr. Andrew Tow owns 10% of the membership interests and are the only voting members of Here Management LLC.

(2) Does not include 15,593,828 shares owned by Here Management LLC.

(3) Does not include 15,593,828 shares owned by Here Management LLC.

DESCRIPTION OF HERE MEDIA CAPITAL STOCK

Authorized Capital Stock

Here Media will be authorized by its certificate of incorporation to issue 40 million shares of common stock, $0.001 par value, 4.2 million shares of special stock, $0.001 par value, and 10 million shares of preferred stock, $0.001 par value. Following the effective time of the merger and the contribution, we anticipate that 20,791,770 shares of Here Media common stock, 4,088,754 shares of Here Media special stock and no shares of Here Media preferred stock will be outstanding. In addition, 87,000 shares of common stock and 87,000 shares of special stock will be reserved for issuance pursuant to the PlanetOut warrants assumed in connection with the transaction.

Common Stock

The shares of Here Media common stock to be issued in connection with the merger and the contribution will be duly authorized, validly issued, fully paid and nonassessable. Each holder of Here Media common stock will be entitled to one vote per share in the election of directors and on all other matters submitted to a vote of stockholders. Holders of Here Media common stock will not be entitled to cumulate votes in voting for Here Media directors.

Subject to the rights of the holders of any Here Media preferred stock that may be outstanding from time to time in the future, each share of Here Media common stock will have an equal and ratable right to receive such dividends as may be declared by Here Media s board of directors out of funds legally available for the payment of dividends. In the event of Here Media s liquidation, dissolution or winding up, the holders of its common stock would be entitled to share ratably in all assets remaining after payment of liabilities, subject to the liquidation preference of any then outstanding preferred stock and the liquidation priority of any outstanding special stock. See Special Stock below. No holder of Here Media common stock will have any preemptive right to subscribe for any securities of Here Media. No redemption or sinking fund provisions are applicable to Here Media common stock.

The rights of holders of Here Media common stock are subject to, and may be adversely affected by, the rights, preferences and privileges of the holders of shares of any series of preferred stock that the board of directors may designate and issue in the future and the rights of outstanding shares of here Media special stock.

Special Stock

The shares of Here Media special stock to be issued in connection with the merger will be duly authorized, validly issued, fully paid and nonassessable. Holders of Here Media s special stock will have, in their capacities as such holders, only the rights, preferences, privileges and restrictions set forth for the special stock in Here Media s amended and restated certificate of incorporation, the proposed form of which is attached as Exhibit B to the merger agreement included as Annex C to this document.

The special stock has no right to receive dividends or any other distributions, except as described below in the event of a liquidation, dissolution or winding up of Here Media that occurs within four years after the date of the completion of the proposed business combination. The special stock will rank, with respect to the distribution of assets upon liquidation, dissolution or winding-up of Here Media, senior and prior in right to the common stock and junior to all series of Here Media s preferred stock outstanding at any time.

In the event of Here Media s liquidation, dissolution or winding up, if the value of the aggregate amount of cash and non-cash distributions (if any) to be made to holders of Here Media common stock after payment in full of claims of all of Here Media s creditors and the liquidation preferences of any and all classes of preferred stock outstanding, which is referred to in the amended and restated certificate of incorporation as the total liquidation value, would result in the receipt of value per share of common stock that is less than $4.00 (as adjusted to the extent appropriate, as determined by the board of directors, to reflect stock splits, stock dividends and the like with respect to Here Media s common stock), then, prior to any distribution to holders of common stock, the holders of

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special stock will be entitled to receive liquidation proceeds per share of special stock in an amount equal to the amount derived from the following equation, *provided* that in no event shall such amount exceed $4.00:

Proceeds per share of special stock = $4.00   Total liquidation value ($4.00 x Total number of outstanding shares of special stock)
Total outstanding shares of common stock Total number of outstanding shares of special stock

If payments are required to be made on the special stock, the payment per share of common stock which would be payable after payment to the holders of special stock, which is referred to in the amended and restated certificate of incorporation as the liquidation balance per common share, would be derived from the following formula:

Liquidation balance per common share = Total liquidation value ($4.00 x Total number of outstanding shares of special stock)
Total outstanding shares of common stock Total number of outstanding shares of special stock

If, upon liquidation, dissolution or winding up of Here Media, distributions are made other than in cash, the value of such distribution for purposes of determining distributable amounts as described above will be the fair market value thereof, as determined in good faith by the board of directors.

A consolidation or merger of Here Media with or into one or more other entities or a sale, conveyance, exchange or transfer of all or substantially all of its assets, in which in each of the foregoing cases:

50% or more of the value of the consideration paid or issued in exchange for the common stock or property or assets consists of cash, publicly traded securities or a combination of both; and

such transaction results in a change in control of the company (as the term control is defined under Rule 12b-2 promulgated under the Exchange Act)

will be deemed a liquidation, dissolution or winding up of Here Media.

The holders of Here Media special stock will not be entitled to vote on any matter to be voted on by stockholders, except as required by law. Without the affirmative vote of the holders of a majority of the outstanding shares of special stock, voting together as a single class, however, Here Media may not, whether by merger, consolidation or otherwise:

alter or change the powers, preferences or special rights of the special stock so as to affect the holders of special stock adversely;

issue any additional shares of special stock after the date of initial issuance of special stock in connection with the merger; or

amend the provision in its amended and restated certificate of incorporation providing for the foregoing voting rights.

Here Media special stock will be automatically canceled:

if, at any time prior to the date in 2013 that is the fourth anniversary of the issuance of the special stock, Here Media offers and sells its common stock in an underwritten public offering or a private placement in the form commonly known as a Private Investment in Public Equity or PIPE transaction at a per share prices of at least $4.00 per share and resulting in gross proceeds to Here Media of at least $20 million;

if, at any time prior to the date in 2013 that is the fourth anniversary of the issuance of the special stock, Here Media shall have been acquired by a special purpose acquisition company or engaged in a similar transaction, as determined by the board of directors, other than in an acquisition for cash or marketable securities; or

on the date in 2013 that is the fourth anniversary of the issuance of the special stock.

In addition, the special stock may be canceled upon the affirmative vote of the holders of a majority of the outstanding shares of special stock, voting together as a single class.

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The amended and restated certificate of incorporation will provide that each reference to $4.00 or $4.00 per share in the above described provisions of the certificate of incorporation shall be adjusted to the extent appropriate, as determined by the Here Media board of directors, to reflect stock splits, reverse stock splits, dividends or distributions made in shares of common stock, or reclassifications, in each case with respect to the common stock. In addition, under the merger agreement, the $4.00 per share priority claim to liquidation proceeds will be proportionately reduced in the event the number of shares of common stock that PlanetOut has outstanding or subject to existing warrants or other agreements to issue shares of common stock exceeds the number of shares represented by PlanetOut in its representations and warranties set forth in the merger agreement by more than 10,000 shares.

Preferred Stock

Here Media s certificate of incorporation authorizes the board of directors, without further action by the stockholders, to issue one or more series of preferred stock. The board of directors is also authorized to fix or alter the designations, powers, preferences and rights of the shares of each series of preferred stock and the qualifications, limitations or restrictions of any wholly unissued series of preferred stock and to establish the number of shares constituting any series of preferred stock. In addition, the board of directors may increase or decrease the number of shares of any series of preferred stock subsequent to the issuance of shares of that series, but the board of directors may not decrease the number of shares of any series of preferred stock below the number of shares of that series then outstanding.

The issuance of preferred stock could have the effect of restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock or delaying or preventing a change in control of Here Media without further action by the stockholders.

Transfer Agent

The transfer agent and registrar for the Here Media common stock and Here Media special stock will be .

Anti-Takeover Considerations

Delaware law contains, and Here Media s certificate of incorporation and bylaws will contain, provisions which may have the effect of discouraging transactions that involve an actual or threatened change of control of Here Media. For a description of these provisions, see Classes of Board of Directors, Removal of Directors, Vacancies on the Boar of Directors, State Anti-Takeover Statutes and Notice of Stockholder Proposals and Director Nominations under th caption entitled Comparative Rights of PlanetOut Stockholders Prior to and After the Merger.

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COMPARATIVE RIGHTS OF PLANETOUT STOCKHOLDERS PRIOR TO AND AFTER THE MERGER

Upon completion of the proposed business combination, holders of PlanetOut capital stock and holders of the HMI Entities capital stock and limited liability company interests will become holders of Here Media capital stock and their rights will be governed by Delaware law and Here Media s certificate of incorporation and bylaws. Here Media and PlanetOut are each corporations organized under the laws of the State of Delaware. Any differences, therefore, in the rights of holders of capital stock in Here Media and PlanetOut arise primarily from differences in their respective certificates of incorporation and bylaws.

The following discussion summarizes the material differences between the rights of PlanetOut stockholders and Here Media stockholders. This section does not include a complete description of all the differences among the rights of these stockholders, nor does it include a complete description of the specific rights of the stockholders.

Authorized Capital Stock

PlanetOut	Here Media
The authorized capital stock of PlanetOut consists of 100,000,000 shares of common stock, $0.001 par value, and 5,000,000 shares of preferred stock, $0.001 par value. PlanetOut s certificate of incorporation authorizes the board of directors to authorize the issuance of one or more series of preferred stock. The board of directors has authorized 100,000 shares of preferred stock as Series A Junior Participating Preferred Stock, none of which are currently outstanding.	The authorized capital stock of Here Media consists of 40,000,000 shares of common stock, $0.001 par value, 10,000,000 shares of preferred stock, $0.001 par value, and 4,200,000 shares of special stock, $0.001 par value. Here Media s certificate of incorporation authorizes Here Media to issue one or more series of preferred stock.

Classes of Board of Directors

PlanetOut	Here Media
PlanetOut s board of directors has six members. PlanetOut s bylaws provide that the number of directors shall be fixed in accordance with the certificate of incorporation. PlanetOut s certificate of incorporation provides that the number of directors shall be fixed by resolutions of the board of directors.	Here Media s board of directors has three members. Here Media s bylaws provide that the number of directors shall be fixed in accordance with the certificate of incorporation. Here Media s certificate of incorporation provides that the number of directors shall be fixed by resolutions of the board of directors.
PlanetOut s certificate of incorporation provides that its board of directors is divided into three classes of directors, with each class being elected to a staggered three-year term. The actual designation of directors to each class is made by resolutions of the board of directors.	Here Media s certificate of incorporation provides that its board of directors is divided into three classes of directors, with each class being elected to a staggered three-year term. The actual designation of directors to each class is made by resolutions of the board of directors.

Cumulative Voting

Under Delaware law, stockholders of a Delaware corporation do not have the right to cumulate their votes in the election of directors, unless that right is granted in the certificate of incorporation.

PlanetOut	Here Media
PlanetOut s certificate of incorporation does not permit cumulative voting by PlanetOut stockholders unless at the time of such election of directors PlanetOut is subject to section 2115(b) of the California General Corporation Law (CGCL).	Here Media s certificate of incorporation does not permit cumulative voting by Here Media stockholders.

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Removal of Directors

Under Delaware law, a director may be removed for cause by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote for the election of directors, and without cause by the affirmative vote of the holders of a majority of the outstanding shares of the class or classes entitled to vote for that director.

PlanetOut	Here Media
PlanetOut s certificate of incorporation provides that during such times that PlanetOut is subject to Section 2115(b) of the CGCL, a director may be removed without cause by the affirmative vote of holders of a majority of the outstanding shares entitled to vote for that director, provided, however, that unless the entire board of directors is removed, no individual director may be removed when the votes cast against such director s removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director s most recent election were then being elected.	Here Media s certificate of incorporation provides that, subject to the rights of the holders of any series of preferred stock, no director shall be removed without cause. Here Media s certificate of incorporation further provides that, subject to any limitations imposed by law, the board of directors or any individual director may be removed from office at any time with cause by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of Here Media s voting stock entitled to vote at an election of directors.

Vacancies on the Board of Directors

Under Delaware law, unless the certificate of incorporation or bylaws provide otherwise, the board of directors of a corporation may fill any vacancy on the board and any newly created directorship.

PlanetOut	Here Media
PlanetOut s certificate of incorporation provides that, subject to the rights of the holders of any series of preferred stock, any vacancies on the board of directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the board of directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the board of directors, and not by the stockholders. PlanetOut s certificate of incorporation further provides that any	Here Media s certificate of incorporation provides that, subject to the rights of the holders of any series of preferred stock, any vacancies on the board of directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the board of directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, and except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the board of directors, and not by the stockholders. Here Media s certificate of incorporation further provides

director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director s successor shall have been elected and qualified.	that any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director s successor shall have been elected and qualified.

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PlanetOut s certificate of incorporation further provides that, at any time or times that PlanetOut is subject to Section 2115(b) of the CGCL, if, after the filling of any vacancy by the directors then in office who have been elected by stockholders shall constitute less than a majority of the directors then in office, then:(i) any holder or holders of an aggregate of 5% or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or (ii) the Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL. The term of office of any director shall terminate upon that election of a successor.

Action by Written Consent

Under Delaware law, unless the certificate of incorporation provides otherwise, stockholders may take action by written consent.

PlanetOut	Here Media
PlanetOut s certificate of incorporation specifically prohibits actions taken by written consent of the stockholders.	Here Media s certificate of incorporation specifically prohibits actions taken by written consent of the stockholders.

Amendment to Certificate of Incorporation

Delaware law requires the approval of the board of directors and a majority of the outstanding stock to amend the certificate of incorporation.

PlanetOut	Here Media
PlanetOut s certificate of incorporation expressly defers to Delaware law on this point, except that amendments to Articles V, VI, and VII of the certificate of incorporation require the affirmative vote of the holders of at least 662/3% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class.	Here Media s certificate of incorporation expressly defers to Delaware law on this point, except that amendments to Articles V, VI, and VII of the certificate of incorporation require the affirmative vote of the holders of at least 662/3% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class.

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Amendment to Bylaws

Delaware law provides that stockholders have the power to amend the bylaws of a corporation unless the certificate of incorporation grants such power to the board of directors, in which case either the stockholders or the board of directors may amend the bylaws.

PlanetOut	Here Media
PlanetOut s certificate of incorporation provides that the board of directors may amend the bylaws. PlanetOut s certificate of incorporation and its bylaws both provide that the affirmative vote of the holders of at least 662/3% of all of the then-outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class, is required to adopt, amend or repeal any provision of the bylaws.	Here Media s certificate of incorporation provides that the board of directors may adopt, amend or repeal the bylaws. Here Media s certificate of incorporation further provides that the bylaws may be altered or amended or new bylaws may be adopted by the affirmative vote of at least 66 2/3% of the voting power of all of the then-outstanding shares of Here Media s voting stock entitled to vote at an election of directors.

Meetings of Stockholders

PlanetOut	Here Media
PlanetOut s bylaws provide that annual stockholder meetings are held on a date to be determined by the board of directors.	Here Media s bylaws provide that annual stockholder meetings are held on a date determined by the board of directors.
PlanetOut s bylaws provide that the chairman of the board of directors, the chief executive officer or the board of directors (pursuant to a resolution adopted by a majority of the total number of authorized directorships at the time any such resolution is presented to the board of directors for adoption) may call a special meeting of the stockholders.	Here Media s bylaws provide that special meetings of the stockholders may be called by the chairman of the board of directors, the chief executive officer or by the board of directors pursuant to resolution adopted by a majority of the authorized directors at the time such resolution is presented to the board of directors for adoption.
PlanetOut s bylaws also provide that at any time PlanetOut is subject to Section 2115(b) of the CGCL, stockholders holding 5% or more of the outstanding shares shall have the right to call a special meeting of stockholders.	

Vote on Extraordinary Corporate Transactions

Under Delaware law, a sale or other disposition of all or substantially all of a corporation s assets, a merger or consolidation of a corporation with another corporation or a dissolution of a corporation requires the affirmative vote of the corporation s board of directors (except in limited circumstances) plus, with limited exceptions, the affirmative vote of a majority of the outstanding stock entitled to vote on the transaction.

PlanetOut	Here Media
PlanetOut s certificate of incorporation and bylaws do not contain any provisions providing for a greater vote on extraordinary corporate transactions.	Here Media s certificate of incorporation and bylaws do not contain any provisions providing for a greater vote on extraordinary corporate transactions.

State Anti-Takeover Statutes

Section 203 of the DGCL generally prohibits public corporations from engaging in significant business transactions, including mergers, with a holder of 15% or more of the corporation s stock, referred to as an interested stockholder, for a period of three years after the interested stockholder becomes an interested stockholder, unless:

the board approves either the business transaction in question or the acquisition of shares by the interested stockholder prior to the time the stockholder becomes an interested stockholder; or

the interested stockholder acquired at least 85% of the outstanding shares in the transaction that resulted in it crossing the 15% threshold, such as pursuant to a tender offer; or

the business transaction is approved by the board of directors and the holders of at least two-thirds of the corporation s shares entitled to vote thereon, excluding the shares held by the interested stockholder, at a meeting of stockholders.

PlanetOut	Here Media
PlanetOut s certificate of incorporation and bylaws do not contain any provisions opting out of the restrictions prescribed by Section 203 of the DGCL.	Here Media s certificate of incorporation and bylaws do not contain any provisions opting out of the restrictions prescribed by Section 203 of the DGCL.

Notice of Stockholder Proposals and Director Nominations

PlanetOut	Here Media
PlanetOut s bylaws provide that a PlanetOut stockholder must give notice, in proper form, of director nominations or proposals for each annual meeting to the secretary between 90 and 120 days prior to the anniversary of the preceding year s annual meeting. If the date of the annual meeting is moved more than 30 days before or after the anniversary date, a stockholder notice must be given to the secretary not earlier than 120 days prior to the date of the meeting and not later than the 90th day prior to such annual meeting or the 10th day following the day on which the public announcement of the date of such meeting is first made. For a special meeting called to elect directors or to conduct other business, a stockholder must give notice, in proper form, of director nominations or proposals not earlier than 120 days prior to the date of the meeting and not later than the 90th day prior to such annual meeting or the 10th day following the day on which the public announcement of the date of such special meeting is first	Here Media s bylaws provide that a stockholder must give notice, in proper form, of director nominations or proposals for each annual meeting to the secretary not later than the close of business 120 calendar days prior to the date of Here Media s proxy statement released to stockholders in connection with the preceding year s annual meeting of stockholders. If no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year s proxy statement, a stockholder notice must be given to the secretary not earlier than the close of business on the 19th day prior to such annual meeting and not later than the close of business on the later of (i) the 60th day prior to such annual meeting or (ii) the 10th day following the day on which the public announcement of the date of such annual meeting is first made by Here Media, only if such public announcement is made fewer than 70 days

made and of the nominees proposed by the board of directors to be elected at such meeting.	prior to the date of such annual meeting.

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INFORMATION ABOUT HERE MEDIA

Here Media was formed on January 2, 2009 for the purpose of effecting the proposed business combination. Here Media has not conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of this document. Upon completion of the proposed business combination, PlanetOut and the HMI Entities will each become a wholly owned subsidiary of Here Media. The business of Here Media will be the combined businesses currently conducted by PlanetOut and the HMI Entities.

INFORMATION ABOUT PLANETOUT

Overview

PlanetOut was incorporated in Delaware in 2000. PlanetOut is a leading media and entertainment company serving the worldwide LGBT community. PlanetOut serves this audience through its websites Gay.com and PlanetOut.com.

As a result of further integrating PlanetOut s various businesses, its executive management team, and its financial and management reporting systems during fiscal 2006, PlanetOut 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 its RSVP Productions, Inc. (RSVP) brand and by its consolidated affiliate, PNO DSW Events, LLC (DSW). PlanetOut sold its interest in DSW in March 2007 and sold substantially all the assets of RSVP in December 2007.

In January 2008, PlanetOut announced that it had retained the services of Allen to assist in evaluating strategic alternatives, including a possible sale of the company. On August 13, 2008, PlanetOut completed the sale of its Publishing business, which included substantially all the assets of LPI and SpecPub, to Regent Entertainment Media.

PlanetOut generates revenue from multiple forms of online advertising including run-of-site advertising, advertising within specialized content channels and online-community areas, and member-targeted e-mails. It also offer advertisers data on consumer behavior and the effectiveness of their online advertising campaigns with PlanetOut through user feedback and independent third-party analysis.

PlanetOut believes its online user base includes one of the most extensive networks of self-identified gay and lesbian people in the world. Users can access content on PlanetOut s flagship websites for free and without registration, thereby generating page views and potential advertising and transaction services revenue. Those users who wish to access PlanetOut s online member-to-member connection services must register for its general membership services by providing their name, e-mail address and other personal content. Registration for general membership services on its flagship websites, Gay.com and PlanetOut.com, allows access to integrated services, including profile creation and search, basic chat and instant messaging. Members may also subscribe to its paid premium subscription service which enables them to access a number of special features that are not generally available under its free general membership packages.

Advertising Services

PlanetOut derives online advertising services revenue from advertising contracts in which it typically undertakes to deliver a minimum number of impressions, or times that an advertisement appears in pages viewed by users of its online properties. Its advertisers can display graphical advertisements on the pages that are viewed by its users across all its online properties and on its affiliates websites. PlanetOut works with its advertisers to maximize the effectiveness of their campaigns by optimizing advertisement formats and placement on its websites. The company believes that online advertising will continue to grow and diversify as it captures a larger share of total advertising dollars.

During the years ended December 31, 2006 and 2007 and the nine months ended September 30, 2008, no single advertiser accounted for more than 10% of PlanetOut s domestic online advertising revenue. Its five largest customer industry categories accounted for approximately 72% and 63%, respectively, of its domestic online advertising revenue for fiscal 2006 and 2007, respectively.

Subscription Services

PlanetOut has offered Gay.com members a free, real-time chat service since 1996. It launched the PlanetOut.com personals service in 1997, and it believes PlanetOut.com was the first website of significant size to offer free personals specifically tailored to the LGBT community. In 2001, it created its paid premium membership services, Gay.com Premium Services and PlanetOut PersonalsPlus. As of September 30, 2008, it had approximately 108,000 subscribers to these online premium membership services.

PlanetOut does not charge fees for registering as a member or creating a profile on either Gay.com or PlanetOut.com, but non-subscribers have only limited access to member profile photographs and chat services, and may only perform basic profile searches. By joining its paid premium membership services, a Gay.com Premium Services or PlanetOut PersonalsPlus subscriber may reply to an unlimited number of profiles, bookmark and block profiles, perform advanced profile searches and view all full-sized photographs posted by other members.

In addition to the general membership services offered by Gay.com and PlanetOut.com, the Premium Services packages offer members additional enhanced features which include access to live customer and technical support and specialized premium content, as well as the ability to simultaneously enter several of its chat rooms. Some of these special premium features are not currently available on PlanetOut.com.

While both services are available to anyone, Gay.com s subscriber base is more heavily male and PlanetOut.com s includes a higher percentage of females. As of December 31, 2007, approximately 91% of subscribers on Gay.com identified themselves as male and on PlanetOut.com, 40% of subscribers identified themselves as female. As of December 31, 2007, 11% of the Gay.com paid subscribers identified themselves as residing outside the United States.

PlanetOut is paid up-front for premium memberships, and the company recognizes subscription revenue ratably over the subscription period. As of December 31, 2006 and 2007, deferred revenue related to premium membership subscription totaled approximately $4.4 million and $3.9 million, respectively, and as of September 30, 2008 such deferred revenue totaled approximately $4.2 million.

Transaction Services

PlanetOut generates transactions services revenue by offering co-marketing opportunities with other affiliates that are marketing to the LGBT community. Transaction service revenue is recognized for its share of co-marketing revenue under these co-marketing affiliate agreements when payment is received.

Product Development and Technology

The PlanetOut product development teams completed extensive consumer research in 2007 to identify key opportunities for the company to increase the marketability of its online properties. During 2007, it also established a redevelopment roadmap and timeline to introduce a new user experience for its consumers, completed the key preliminary planning stages and began the redevelopment effort. In September 2008, it launched a substantial update of its Gay.com website which incorporated many of the development roadmap items established in its 2007 redevelopment effort.

PlanetOut plans to introduce improvements to key features such as chat and profiles, and expanded capabilities related to member-generated content. It also plans to move, over time, toward integration of its technology platforms across all its web properties, beginning with an extensive effort, now underway, to re-architect its core platform, leading to the expansion of core functional capabilities, and including an initiative to implement a company-wide content management system to better leverage all of its organic and acquired content of its online properties.

PlanetOut s capital expenditures are primarily focused on the integration and re-architecture of the core technology platform of its websites and supporting its member services, including the introduction of new features and functions. PlanetOut strives to concentrate its acquisitions of hardware and software with a single primary vendor when it believes it is feasible and cost-effective to do so. By reducing the number of types of systems PlanetOut uses, the company believes it is better able to manage its systems and achieve attractive pricing with vendors with whom it has established relationships.

The basic network infrastructure primarily resides in virtual machines that are hosted in multi-core servers that leverage their capabilities in order to maximize efficiency and scalability. It primarily utilizes open source software and widely scalable, low-cost servers to reduce cost and enable it to easily expand technological capacity to handle increased loads. It tracks and monitors the growth of traffic on its websites and strives to maintain reserve capacity for extraordinary loads. It attempts to streamline and consolidate its technology as it upgrades its equipment to increase capacity.

PlanetOut employs several methods to protect its computer networks from damage, power interruption, computer viruses and security breaches that would result in a disruption of service to its members. Its hosted computer network, located in San Jose and operated by a third-party vendor, provides the primary services that it offers to the public on its flagship websites. The computer equipment in its hosted network is located in an industrial-grade server room with on-site security systems and redundant uninterruptible power supply units, as well as smoke detection and fire suppression systems. The equipment is also deployed in a redundant configuration, designed to prevent any single computer failure from interrupting the services available on its websites. This network is protected from security breaches by a firewall, including anti-virus protection.

Competitive Strengths

Strong Community Affinity. PlanetOut believes it has developed a loyal, active community of users, customers, members and subscribers. The word-of-mouth marketing that occurs through these individuals is an important source of past and potential growth, as increasing social interaction among users within its online community and word-of-mouth in the broader LGBT community help it obtain new and retain previous users and customers across its multiple platforms. The company believes the Gay.com domain name helps reinforce its position as a leading network of LGBT people in the world.

Critical Mass. PlanetOut believes it has built a critical mass of users across multiple properties that is attractive to advertisers, vendors, and consumers alike. It believes its combined worldwide Gay.com and PlanetOut.com member base constitutes one of the largest online networks of gay and lesbian people in the world. It also believes the size and attractive demographic characteristics of its user base is appealing to advertisers who seek cost-effective ways to target the LGBT market.

Diversified Revenue Streams. PlanetOut derives its revenue from a combination of advertising, subscription and transaction services offered through multiple online media properties. It believes that having multiple revenue streams allows it to better withstand periodic fluctuations in individual markets, take advantage of cross-selling opportunities to its advertising and consumer customers, and more effectively monetize the audiences and traffic that the company has built through its websites.

Scalable Business Model. PlanetOut believes it has an overall business model in which additional revenue can be generated with relatively low increases in its expenses. In its online subscription business, it believes the marginal cost to PlanetOut of providing services to each new subscriber is relatively low. At the same time, much of the content accessible through its flagship websites is generated by members and made available at modest incremental cost. By creating additional web pages or chat screens on which it can place advertisements, each additional user on these websites also generates additional advertising capacity at little incremental cost.

Compelling Content. PlanetOut offers compelling editorial and programming content to the LGBT community, covering topics such as travel, news, entertainment, fashion, sports, and health. In addition, PlanetOut believes its rich and varied LGBT-focused content, the integration of its chat, profile and instant messaging features and the ability of its online members to generate and share their own content and interact with one another keeps users returning to its websites. These features increase user touchpoints and provide PlanetOut with more opportunities to generate advertising revenue, grow its subscriber base and increase product and service sales.

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Niche Market Focus. PlanetOut believes that it provides advertisers with a number of effective and innovative ways to reach both the larger LGBT community and those segments within the LGBT community that may share a particular affinity for their products or services. PlanetOut s value proposition to advertisers includes:

Focused Advertising. PlanetOut believes it delivers access to one of the largest audience of self-identified gay and lesbian people in the world. Its advertising programs allow both large national and international advertisers as well as smaller, local advertisers to reach the LGBT audience in a cost-effective manner.

Leading LGBT Media Outlets. PlanetOut has developed a critical mass through the Gay.com and PlanetOut.com websites.

Targeted Campaigns. In addition to offering advertisers the opportunity to reach the broader LGBT audience, PlanetOut offers the opportunity to more closely target specific audiences. For example, advertisers have the potential to reach its entire online user base with run-of-site advertisements or to target only those members who share certain common attributes such as age, gender, geographic location or online behaviors. By dividing its online content offerings into topic sections within channels, it provides its advertisers with the ability to target their marketing efforts further, by sponsoring topic sections or running individual advertisements in channels specifically relevant to their particular products and services or brand strategy.

Research and Analysis. PlanetOut engages third parties to conduct independent research on member panels assembled from its online membership base regarding the effectiveness of specific campaigns as well as other matters of interest to its advertisers. Campaign studies examine the effect the campaign had on brand awareness, brand attributes, message association, brand favorability, purchase intent and advertisement recall and can include an analysis of the research and recommendations for future advertising campaigns. In addition to benefiting the advertiser, this type of research helps educate PlanetOut on how to more effectively position and manage campaigns for its advertisers.

Growth Strategy

PlanetOut s goal has been to enhance its position as an LGBT-focused market leader by maximizing the growth prospects and profitability of each of its revenue streams. PlanetOut has sought to achieve this through the following strategies:

Growing PlanetOut s User and Subscription Base Across Multiple Properties. PlanetOut has sought to grow its user and subscription base by:

Cross-Promoting Products and Services. PlanetOut has been building on its extensive member base that it has developed online through the Gay.com and PlanetOut.com websites and has been planning to continue marketing directly to consumers through targeted online advertising, keyword buys and affiliate programs.

Creating New Products and Services. PlanetOut has sought to offer new products and services through its network. For example, the company is currently developing improvements to key features such as chat and profiles, and expanded capabilities related to member-generated content as part of its website and technology re-architecture currently underway. By enhancing website functionality through the development of its technology to expand its products and services, PlanetOut believes it can enhance the value of its offerings, attract new users and increase its revenue.

Capitalizing on Advertising Growth and Relationships. PlanetOut believes its large user base provides it with greater reach than other LGBT-focused media providers and that it is well positioned to benefit from the growth in advertisers wishing to target the LGBT community. By promoting packages that include, among others, Internet, e-mail, direct mail and events opportunities, PlanetOut believes it can differentiate its products and more effectively serve its advertising clients. Furthermore, by promoting member-generated content and cross-purposing content across its various properties, PlanetOut can add new pages to its websites, grow its advertising inventory and direct its website traffic to those areas that generate higher advertising revenue.

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Competition

PlanetOut operates in a highly competitive environment. Across all three of its revenue streams, PlanetOut competes 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 its advertising business, it competes with a broad variety of online and print content providers, including large media companies such as Yahoo!, Google, MSN, Time Warner, Viacom, Condé Nast, IAC, and News Corporation, as well as a number of smaller companies focused specifically on the LGBT community. In its online subscription business, its competitors include these companies as well as other companies that offer more targeted online service offerings, such as Match.com and Yahoo! Personals, and a number of other smaller online companies focused specifically on the LGBT community. More recently, PlanetOut has faced competition from the growth of social networking sites, such as MySpace and Facebook, that provide opportunity for an online community for a wide variety of users, including the LGBT community. In its transaction business, it competes 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.

PlanetOut believes that the primary competitive factors affecting its business are quality of content and service, price, functionality, brand recognition, customer affinity and loyalty, ease of use, reliability and critical mass. Some of its current and many of its 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 PlanetOut does. 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 producing content and developing their services and systems than PlanetOut can.

Intellectual Property

PlanetOut uses a combination of trademark, copyright and trade secret laws and confidentiality agreements to protect its proprietary intellectual property. PlanetOut has registered several trademarks in the United States, including PlanetOut, PlanetOut and Design, and Gay.com and Design. PlanetOut has registered or applied for additional protection for several of these trademarks in select relevant international jurisdictions. Even if these applications are allowed, they may not provide us with a competitive advantage. To date, PlanetOut has relied primarily on common law copyright protection to protect the content posted on its websites. Competitors may challenge the validity and scope of its trademarks and copyrights. From time to time, PlanetOut may encounter disputes over rights and obligations concerning its use of intellectual property. PlanetOut believes that the services it offers do not infringe the intellectual property rights of any third-party. It cannot, however, make any assurances that it will prevail in any intellectual property dispute.

Employees

As of December 31, 2008, PlanetOut had 95 full-time employees and 10 part-time or temporary employees. PlanetOut utilizes part-time and temporary employees primarily to handle overflow work and short-term projects. None of its employees are unionized, and it believes that it generally has good relations with its employees.

On January 9, 2009, PlanetOut determined to reduce its workforce by approximately 33% to reduce costs and manage expenses. The reduction in workforce included William Bain, PlanetOut s Chief Technology Officer, and is expected to result in severance benefits costs of approximately $775,000.

Properties

PlanetOut is headquartered in San Francisco, California and currently leases approximately 56,000 square feet at its headquarters facility. The lease runs through 2012 and PlanetOut has an option to terminate the lease effective January 2010 with proper notice for a fee. PlanetOut believes that its existing facilities are adequate to meet current requirements. It believes that suitable additional or substitute space will be available as needed to accommodate any further physical expansion of corporate operations and for any additional sales offices.

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Legal Proceedings

PlanetOut is 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 PlanetOut and others generally applicable to business practices within the industries in which it operates. A substantial legal liability or a significant regulatory action against PlanetOut could have an adverse effect on its business and financial condition and on the results of operations in a particular quarter or year.

Market Price of and Dividends on PlanetOut s Common Stock

PlanetOut common stock is traded on The Nasdaq Global Market under the symbol LGBT. Public trading of its common stock commenced in October 2004.

The following table sets forth, for the periods indicated, the high and low bid prices per share of its common stock as reported on The Nasdaq Global Market:

	High	Low
2007		
First Quarter	$ 51.90	$ 33.00
Second Quarter	35.20	8.60
Third Quarter	23.30	11.80
Fourth Quarter	13.24	5.41
2008		
First Quarter	$ 6.28	$ 2.56
Second Quarter	3.50	1.65
Third Quarter	2.80	1.86
Fourth Quarter	2.75	0.25
2009		
First Quarter (through , 2009)		

PlanetOut was notified by Nasdaq on August 11, 2008 that its common stock failed to meet the minimum market value of $5 million for publicly held shares and that PlanetOut would have until April 30, 2009 to meet the requirements or the shares would be delisted from The Nasdaq Global Market. In addition, PlanetOut common stock has been trading below the Nasdaq s $1.00 minimum trading price. While this requirement has been suspended by Nasdaq through April 19, 2009, there can be no assurance that after that date, PlanetOut would be able to comply with the minimum bid price or the minimum market value of publicly held shares.

On , 2009, the closing sale price of PlanetOut common stock was $ per share.

As of , 2009, there were approximately holders of record of its common stock. This figure does not include the number of stockholders whose shares are held of record by a broker or clearing agency, but does include each such brokerage house or clearing agency as a single holder of record.

PlanetOut has never paid cash dividends on its stock and currently anticipates that it will continue to retain any future earnings to finance the growth of its business.

Management s Discussion and Analysis of PlanetOut s Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and related notes which appear only in this document. This discussion contains forward-looking statements that involve risks and uncertainties as more fully discussed under the Forward-Looking Statements section of this document.

Overview

PlanetOut is a leading media and entertainment company serving the worldwide LGBT community. PlanetOut serves this audience through its websites Gay.com and PlanetOut.com.

As a result of the divestitures of RSVP, DSW, LPI and SpecPub and PlanetOut s decision to exit the Travel and Events and Publishing businesses in December 2007 and August 2008, respectively, PlanetOut had one segment remaining as of September 30, 2008: Online. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* PlanetOut has reported the results of operations and financial position of RSVP, DSW, LPI and SpecPub in discontinued operations within its unaudited interim consolidated financial statements as of September 30, 2008 and December 31, 2007 and for the nine months ended September 30, 2007 and 2008 included elsewhere in this proxy statement/prospectus.

Executive Operating and Financial Summary

PlanetOut s total revenue was $15.4 million in the nine months ended September 30, 2008, decreasing 21% from total revenue of $19.5 million in the nine months ended September 30, 2007. These decreases were primarily due to decreases in its advertising revenues as a result of turnover in its advertising sales group and the discontinuance of local advertising sales, a reduction in online subscribers to the Gay.com website and the closing of PlanetOut s international offices in conjunction with its July 2007 reorganization plan, offset partially by $1.0 million of advertising revenue related to marketing and advertising services provided to Regent Releasing as part of a marketing agreement with Regent Releasing.

Total operating costs and expenses were $20.1 million in the nine months ended September 30, 2008, decreasing 31% from total operating costs and expenses of $29.3 million in the nine months ended September 30, 2007. These decreases were primarily due to a reduction in compensation and employee related costs as a result of reduced headcount and non-recurrence of severance related costs, a reduction in expenses related to the closure of PlanetOut s international offices in conjunction with its July 2007 reorganization plan, reductions in legal and accounting expenses, a decrease in advertising, marketing and market research expenses, and the non-recurrence of restructuring costs. Compensation and employee related costs during the nine months ended September 30, 2007 included severance and other costs related to the departure of PlanetOut s former Chief Technology Officer and its former President and Chief Operating Officer.

Loss from operations was $4.7 million in the nine months ended September 30, 2008, compared to loss from operations of $9.8 million in the nine months ended September 30, 2007. This decrease in loss from operations was the result of the $9.2 million reduction in operating costs and expenses noted above, offset by the $4.1 million decrease in total revenue noted above. The net reduction in loss from operations due to the closure of PlanetOut s international offices was approximately $1.6 million in the nine months ended September 30, 2008. The net reduction in loss from operations due to non-recurring severance and related costs was approximately $0.5 million in the nine months ended September 30, 2008.

Management expects that revenue will decrease for the remainder of fiscal 2008 in comparison to fiscal 2007, primarily as a result of general economic conditions, anticipated decreases in subscription services revenue due to reductions in PlanetOut s paid subscriber base, anticipated decreases in advertising services revenue due to the effects of turnover in its advertising sales group, the discontinuance of local advertising sales and the closure of its international offices, partially offset by an increase in advertising services revenue due to marketing and advertising services to be provided to Regent Releasing. PlanetOut expects its operating loss will continue to decrease for the remainder of fiscal 2008 in comparison to fiscal 2007 due to the non-recurrence in fiscal 2008 of impairment charges recognized in fiscal 2007. However, PlanetOut expects to incur additional expenses for the remainder of fiscal 2008 as it continues to modify its web applications in conjunction with the re-launch of the Gay.com website.

Results of Operations Nine months ended September 30, 2007 and 2008

Revenue

Advertising Services. PlanetOut derives advertising revenue from advertising contracts in which it typically undertake to deliver a minimum number of impressions to users over a specified time period for a fixed fee. Advertising services revenue was $4.6 million in the nine months ended September 30, 2008, a decrease of 33% from the nine months ended September 30, 2007. These decreases in advertising services revenue were due to turnover in its advertising sales group, the discontinuance of local advertising sales and the closure of its international offices in conjunction with its July 2007 reorganization plan, offset partially by $1.0 million of advertising revenue in the nine months ended September 30, 2008, related to marketing and advertising services provided to Regent Releasing as part of the marketing agreement with Regent Releasing.

For the remainder of fiscal 2008, PlanetOut expects advertising services revenue to decrease in comparison to fiscal 2007 due to the effects of turnover in its advertising sales group, the discontinuance of local advertising sales and the closure of PlanetOut s international offices, offset partially by marketing and advertising services to be provided to Regent Releasing. PlanetOut expects the percentage of its overall revenue attributable to advertising services to increase slightly in 2008 as a result of decreases in its subscription services revenue.

Subscription Services. PlanetOut derives subscription services revenue from paid membership subscriptions to its online media properties. Its subscription services revenue was $10.6 million in the nine months ended September 30, 2008, a decrease of 14% from the nine months ended September 30, 2007. These decreases in subscription services revenue were due primarily to a reduction in the number of online subscribers to the Gay.com website and, to a lesser extent, to the closure of PlanetOut s international offices in conjunction with the July 2007 reorganization plan.

For the remainder of fiscal 2008, PlanetOut expects total subscription services revenue to decrease in comparison to fiscal 2007, as a result of a reduction in online subscribers.

Transaction Services. Transaction services revenue includes revenue generated from the sale of products through PlanetOut s transaction-based websites and co-marketing agreements with affiliates. PlanetOut s transaction services revenue totaled $0.2 million and $0.4 million in the nine months ended September 30, 2008 and 2007, respectively. The decrease in transactions services revenue was due to the discontinuance of its transaction-based website Kleptomaniac.com.

For the remainder of fiscal 2008, PlanetOut expects transaction services revenue to continue to decrease slightly in comparison to fiscal 2007.

Operating Costs and Expenses

Cost of Revenue. Cost of revenue primarily consists of payroll and related benefits associated with supporting PlanetOut s subscription-based services, the development and expansion of site operations and support infrastructure and producing and maintaining content for PlanetOut s various websites. Other expenses directly related to generating revenue included in cost of revenue include transaction processing fees, computer equipment maintenance, occupancy costs, co-location and Internet connectivity fees, purchased content and cost of goods sold. Cost of revenue was $6.9 million in the nine months ended September 30, 2008, decreasing 21% from cost of revenue of $8.8 million in the nine months ended September 30, 2007. These decreases were due to an overall decrease in compensation and employee related costs as a result of reduced headcount and non-recurrence of severance related costs, a reduction in expenses due to the closing of PlanetOut s international offices in conjunction with its July 2007 reorganization plan and decreases in consumer marketing, credit card fees and advertising servicing costs. Compensation and employee related costs during the nine months ended September 30, 2007 included severance and other costs related to the departure of PlanetOut s former Chief Technology Officer. Cost of revenue remained flat at 45% as a percentage of total revenue for the nine months ended September 30, 2008 and 2007.

For the remainder of fiscal 2008, PlanetOut expects cost of revenue and cost of revenue as a percentage of revenue to increase over fiscal 2007 as the company continues to modify its web applications in conjunction with the re-launch of the Gay.com website and as it deploys new networks.

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Sales and Marketing. Sales and marketing expense primarily consists of payroll and related benefits for employees involved in sales, advertising client service, customer service, marketing and other support functions; product, service and general corporate marketing and promotions; and occupancy costs. Sales and marketing expenses were $4.7 million in the nine months ended September 30, 2008, decreasing 33% from sales and marketing expenses of $7.0 million in the nine months ended September 30, 2007. Sales and marketing expenses as a percentage of revenue were 30% for the nine months ended September 30, 2008, down from 36% in the nine months ended September 30, 2007. These decreases were primarily due to a reduction in expenses related to the closing of PlanetOut s international offices in conjunction with its July 2007 reorganization plan, decreased advertising and market research expenses, decreased compensation and employee related costs as a result of reduced headcount and reduced expenses as a result of the discontinuance of the transaction-based website Kleptomaniac.com.

For the remainder of fiscal 2008, PlanetOut expects sales and marketing expenses and sales and marketing as a percentage of revenue to vary in comparison to fiscal 2007 depending on the timing of planned advertising to coincide with certain product development milestones.

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. PlanetOut s general and administrative expenses were $5.4 million for the nine months ended September 30, 2008, decreasing 39% from general and administrative expenses of $8.9 million in the nine months ended September 30, 2007. General and administrative expenses as a percentage of revenue were 35% for the nine months ended September 30, 2008, down from 46% in the nine months ended September 30, 2007. These decreases were due to decreases in legal and accounting expenses, compensation and employee related costs as a result of reduced headcount and non-recurrence of severance related costs, contract labor expense, stock-based compensation expense and a reduction in expenses due to the closing of PlanetOut s international offices in conjunction with its July 2007 reorganization plan. Compensation and employee related costs during the nine months ended September 30, 2007 included severance and other costs related to the departure of PlanetOut s former President and Chief Operating Officer.

For the remainder of fiscal 2008, PlanetOut expects general and administrative expenses to decrease from fiscal 2007 primarily due to decreased compensation and employee related costs as a result of decreases in headcount and decreased legal costs.

Restructuring. In July 2007, PlanetOut s board of directors adopted and approved a reorganization plan to further align its resources with its strategic business objectives. As part of the plan, PlanetOut closed its international offices located in Buenos Aires and London in order to streamline its business operations and reduce expenses. The reorganization, along with other organizational changes, reduced PlanetOut s 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. PlanetOut completed this restructuring in the third quarter of 2007.

Depreciation and Amortization. Depreciation and amortization expense was $3.2 million for the nine months ended September 30, 2008, decreasing 22% from depreciation and amortization expense of $4.1 million in the nine months ended September 30, 2007. These decreases were primarily due to a decrease in depreciable assets in service during the nine months ended September 30, 2008 compared to the prior year periods.

For the remainder of fiscal 2008, PlanetOut expects depreciation and amortization expense will increase over fiscal 2007 as a result of the re-launch of its Gay.com website and as a result of additional capital investments to support its on-going product development.

Other Income and Expenses

Interest Expense. Interest expense was $0.1 million and $1.6 million for the nine months ended September 30, 2008 and 2007, respectively. Interest expense in the nine months ended September 30, 2007 included $1.4 million of interest expense and amortization of the loan discount on notes payable that were repaid in full in July 2007.

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Other Income, Net. Other income, net consists primarily of interest earned on cash, cash equivalents, short-term investments and restricted cash. Other income, net was $0.2 million and $0.4 million in the nine months ended September 30, 2008 and 2007, respectively. These decreases were primarily due to decreases in interest income resulting from lower cash balances.

Discontinued Operations

In an effort to simplify its business model, PlanetOut discontinued its Travel and Events businesses during 2007. In March 2007, PlanetOut sold its membership interest in DSW, a joint venture, to the minority interest partner. In December 2007, PlanetOut sold substantially all of the assets of RSVP. In August 2008, PlanetOut sold its Publishing business to Regent Releasing, which included the operations of LPI and SpecPub, and recorded a net loss on sale of discontinued operations of $0.1 million related to the sale of the PlanetOut Publishing business. The net loss on sale of discontinued operations included $0.8 million of estimated direct costs incurred in connection with the sale. In estimating net loss on sale, management relied on a number of other estimates including estimates of the amounts attributable to the consummation of this sale transaction. Accordingly, PlanetOut may revise its estimate of the net loss on sale of its Publishing business.

As a result of the sale of PlanetOut s interest in DSW, the sale of substantially all the assets of RSVP, the sale of substantially all of the assets of LPI and SpecPub and its decision to exit its Publishing and Travel and Events businesses, PlanetOut has reported the results of operations and financial position of RSVP, DSW, LPI and SpecPub as discontinued operations within the condensed consolidated financial statements for the three and nine months ended September 30, 2007 and 2008 in accordance with FAS 144. PlanetOut has reported the financial position of LPI and SpecPub as assets and liabilities of discontinued operations on the condensed consolidated balance sheet as of December 31, 2007. In addition, PlanetOut has segregated the cash flow activity of RSVP, DSW, LPI and SpecPub from the condensed consolidated statements of cash flows for the nine months ended September 30, 2007 and 2008. The results of operations of RSVP and DSW were previously reported and included in the results of operations and financial position of its Travel and Events segment. The results of operations of LPI and SpecPub were previously reported and included in the results of operations and financial position of its Publishing segment.

As a result of the agreement to sell LPI, PlanetOut reduced the net carrying value of the LPI reporting unit by $2.0 million in the three months ended March 31, 2008 to the estimated amount attributable to the sale of this reporting unit. As a result of the agreement to sell SpecPub, PlanetOut reduced the net carrying value of the SpecPub reporting unit $4.3 million in the three months ended March 31, 2008 to the estimated amount attributable to the sale of this reporting unit. These reductions in carrying value are reflected in impairment of goodwill and intangible assets in the results of discontinued operations. PlanetOut reviewed the carrying values of the LPI and SpecPub reporting units at August 13, 2008, the closing date for the sale, and deemed that no impairment had occurred subsequent to March 31, 2008. In estimating the reduction in carrying value of these reporting units, the company relied on a number of estimates in calculating the amounts attributable to the consummation of this sale transaction.

Restructuring costs of approximately $19,000, consisting of termination benefits related to its Travel and Events business, were recorded in discontinued operations during the three and nine months ended September 30, 2007. Restructuring costs of approximately $892,000, consisting of termination benefits of approximately $351,000 and contract termination expenses of approximately $541,000 related to PlanetOut s Publishing business, were recorded in discontinued operations during the three and nine months ended September 30, 2008.

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

	Nine Months Ended September 30, 2007				
	LPI	**SpecPub**	**RSVP**	**DSW**	**Total**
Total revenue	$ 15,396	$ 4,906	$ 17,023	$ 2	$ 37,327
Operating costs and expenses:					
Cost of revenue	10,143	3,042	18,678		31,863
Sales and marketing	4,175	1,151	1,455	37	6,818
General and administrative	2,541	495	376	1	3,413
Restructuring			19		19
Depreciation and amortization	753	251	287		1,291
Impairment of goodwill and intangible assets	15,700	5,400	4,700		25,800
Total operating costs and expenses	33,312	10,339	25,515	38	69,204
Loss from operations	(17,916)	(5,433)	(8,492)	(36)	(31,877)
Other income (expense), net	(239)	(103)	23		(319)
Loss from discontinued operations	$ (18,155)	$ (5,536)	$ (8,469)	$ (36)	$ (32,196)

The results of discontinued operations for the nine months ended September 30, 2008 were as follows (in thousands):

	Nine Months Ended September 30, 2008			
	LPI	**SpecPub**	**RSVP**	**Total**
Total revenue	$ 12,569	$ 2,885	$	$ 15,454
Operating costs and expenses:				
Cost of revenue	9,179	2,283	(20)	11,442
Sales and marketing	3,346	686	(21)	4,011
General and administrative	1,617	210	4	1,831
Restructuring	795	97		892
Depreciation and amortization	327	31		358
Impairment of goodwill and intangible assets	1,978	4,294		6,272
Total operating costs and expenses	17,242	7,601	(37)	24,806
Income (loss) from operations	(4,673)	(4,716)	37	(9,352)
Other income (expense), net	(15)	1		(14)
Income (loss) from discontinued operations	(4,688)	(4,715)	37	(9,366)
Gain (loss) on sale of discontinued operations	(786)	651		(135)
Income (loss) from and loss on sale of discontinued operations	$ (5,474)	$ (4,064)	$ 37	$ (9,501)

Results of Operations Years ended December 31, 2006 and 2007

As a result of further integrating PlanetOut s various businesses, its executive management team, and its financial and management reporting systems during fiscal 2006, PlanetOut 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 its RSVP brand and by PlanetOut s consolidated affiliate DSW. PlanetOut sold its interest in DSW in March 2007 and sold substantially all the assets of RSVP in December 2007. On August 13, 2008, PlanetOut completed the sale of its Publishing business, which included substantially all the assets of LPI and SpecPub, to Regent Entertainment Media, the designee of Regent Releasing, an affiliate of Here Networks and an HMI Entity.

Operating 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. Since other operating costs and expenses such as general and administrative costs (consisting of costs such as corporate management, human resources, finance and legal), and depreciation and amortization, do not vary proportionately with total revenues, they are not evaluated in the measurement of operating performance.

PlanetOut derives online advertising revenue from advertising contracts in which PlanetOut typically undertakes to deliver a minimum number of impressions to users over a specified time period for a fixed fee. PlanetOut derives online subscription services revenue from paid membership subscriptions to PlanetOut s online media properties. Transaction services revenue includes revenue generated from the sale of products through multiple transaction-based websites.

Comparison of the year ended December 31, 2006 to the year ended December 31, 2007 (in thousands, except percentages):

	Year Ended December 31,		Increase (Decrease)	
	2006	2007	$	%
Online revenue:				
Advertising services	$ 10,683	$ 9,361	$ (1,322)	(12)%
Subscription services	18,040	16,130	(1,910)	(11)%
Transaction services	1,021	470	(551)	(54)%
Total online revenue	29,744	25,961	(3,783)	(13)%
Online direct operating costs and expenses:				
Cost of revenue	9,491	11,422	1,931	20%
Sales and marketing	10,142	9,191	(951)	(9)%
Total online direct operating costs and expenses	19,633	20,613	1,980	7%
Online contribution margin	$ 10,111	$ 5,348	$ (4,763)	(47)%

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

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 and impairment of goodwill and intangible assets. 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. PlanetOut s general and administrative expenses were $11.4 million for 2007, up 45% from the prior year. General and administrative expenses as a percentage of revenue were 44% for 2007, up from 20% in the prior year. 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 including severance and other costs related to the departure of PlanetOut s President and Chief Operating Officer in March 2007; increased legal expenses; and increased stock-based compensation expenses.

Restructuring. In June 2006, PlanetOut s board of directors adopted and approved a reorganization plan to align PlanetOut s resources with its business objectives. As part of the plan, PlanetOut consolidated its media and advertising services, e-commerce services and back-office operations on a global basis to streamline PlanetOut s operations as part of continued integration of PlanetOut s acquired businesses. The reorganization, along with other organizational changes, reduced PlanetOut s 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 2006. PlanetOut 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, PlanetOut s board of directors adopted and approved a reorganization plan to further align PlanetOut s resources with its strategic business objectives. As part of the plan, PlanetOut closed its international offices located in Buenos Aires and London in order to streamline its business operations and reduce expenses. The reorganization, along with other organizational changes, reduced PlanetOut s total workforce by approximately 15%. Restructuring costs of approximately $0.6 million primarily related to employee severance benefits of approximately $0.5 million and facilities consolidation expenses of approximately $0.1 million were recorded during 2007. PlanetOut completed this restructuring in the fourth quarter of 2007.

Depreciation and Amortization. Depreciation and amortization expense was $5.5 million for fiscal 2007, up 30% from the prior year, due primarily to an increase in depreciation expense related to capital expenditures the company has made in order to support PlanetOut s on-going online product development and compliance efforts. Depreciation and amortization as a percentage of revenue was 21% for 2007, up from 13% in the prior year.

Impairment of Goodwill and Intangible Assets. During the fourth quarter of 2007, PlanetOut recorded an impairment charge to goodwill of $0.4 million related to the winding down of PlanetOut s international marketing efforts and the closure of PlanetOut s international offices in conjunction with its July 2007 restructuring plan.

Other Income and Expenses

Interest Expense. Interest expense was $1.6 million for fiscal 2007, an increase of 235% from the prior year, due primarily to increased interest expense on the Orix term and revolving loans entered into in September 2006. In July 2007, PlanetOut used a portion of the proceeds of its equity financing to repay, in full, its indebtedness obligations under loans from Orix, as well as its obligations under the LPI note. Interest expense for the year ended December 31, 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 of interest earned on cash, cash equivalents, restricted cash and short-term investments as well as other miscellaneous non-operating transactions. Other income, net was $0.5 million for fiscal 2007, a decrease of 7% from the prior year, primarily due to decreased interest income during fiscal 2007 on its lower cash balance.

Discontinued Operations

In an effort to simplify our business model, we discontinued our Travel and Events businesses during 2007. In March 2007, we sold our membership interest in DSW, a joint venture, to the minority interest partner. In December 2007, we sold substantially all of the assets of RSVP. In August 2008, we sold our Publishing business to Regent, which included the operations of LPI and SpecPub.

As a result of the sale of our interest in DSW, the sale of substantially all the assets of RSVP, the sale of substantially all of the assets of LPI and SpecPub and our decision to exit our Publishing and Travel and Events businesses, we have reported the results of operations and financial position of RSVP, DSW, LPI and SpecPub as discontinued operations within the condensed consolidated financial statements for the year ended December 31, 2006 in accordance with FAS 144. We have reported the financial position of LPI and SpecPub as assets and liabilities of discontinued operations on the condensed consolidated balance sheet as of December 31, 2007. In addition, we have segregated the cash flow activity of RSVP, DSW, LPI and SpecPub from the condensed consolidated statements of cash flows for the years ended December 31, 2006 and 2007. The results of operations of RSVP and DSW were previously reported and included in the results of operations and financial position of our Travel and Events segment. The results of operations of LPI and SpecPub were previously reported and included in the results of operations and financial position of our Publishing segment.

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During the three months ended June 30, 2007, the Company determined that a triggering event had occurred in May 2007, primarily due to lower advertising revenue than expected related to the Company s publishing segment and lower than expected revenue related to the Company s Travel and Events business which the Company believes resulted in a significant decrease in the trading price of the Company s common stock and a corresponding reduction in its market capitalization. As a result of this triggering event, the Company conducted the first step of its goodwill impairment test and determined that goodwill had been impaired. Accordingly, the Company conducted the second step of its impairment test to measure the impairment and recorded an estimated impairment charge to goodwill in the amount of $21.1 million in operating expenses of continuing operations during the three months ended June 30, 2007.

During the three months ended December 31, 2007, in conjunction with its estimate to measure goodwill impairment in the three months ended June 30, 2007, the Company recorded an impairment charge to its customer lists and user bases and tradenames of $1.9 million and $2.5 million , respectively, as a result of the completion of an independent business valuation of the intangible assets of its LPI reporting unit.

Restructuring costs of approximately $19,000, consisting of termination benefits related to our Travel and Events business, were recorded in discontinued operations during 2007. Restructuring costs of approximately $54,000, consisting of termination benefits related to our Publishing business, were recorded in discontinued operations during 2006.

The results of discontinued operations for the years ended December 31, 2006 and 2007 were as follows (in thousands):

	Year Ended December 31, 2006				
	LPI	**SpecPub**	**RSVP**	**DSW**	**Total**
Total revenue	$ 22,108	$ 6,904	$ 9,158	$ 730	$ 38,900
Operating costs and expenses:					
Cost of revenue	13,071	4,182	8,369	92	25,714
Sales and marketing	4,680	770	1,317	435	7,202
General and administrative	3,192	630	890	131	4,843
Restructuring	54				54
Depreciation and amortization	895	506	419		1,820
Impairment of goodwill and intangible assets					
Total operating costs and expenses	21,892	6,088	10,995	658	39,633
Income (loss) from operations	216	816	(1,837)	72	(733)
Other income (expense), net	(482)	(221)	8	(44)	(739)
Income (loss) from discontinued operations	$ (266)	$ 595	$ (1,829)	$ 28	$ (1,472)

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	Year Ended December 31, 2007				
	LPI	SpecPub	RSVP	DSW	Total
Total revenue	$ 20,249	$ 6,803	$ 17,033	$ 2	$ 44,087
Operating costs and expenses:					
Cost of revenue	13,835	4,629	18,737		37,201
Sales and marketing	5,514	1,561	1,525	37	8,637
General and administrative	3,118	571	262	1	3,952
Restructuring			19		19
Depreciation and amortization	1,015	253	286		1,554
Impairment of goodwill and intangible assets	20,099	5,400	4,400		29,899
Total operating costs and expenses	43,581	12,414	25,229	38	81,262
Income (loss) from operations	(23,332)	(5,611)	(8,196)	(36)	(37,175)
Other income (expense), net	(241)	(103)	25		(319)
Income (loss) from discontinued operations	$ (23,573)	$ (5,714)	$ (8,171)	$ (36)	$ (37,494)

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

	December 31, 2006				
	LPI	SpecPub	RSVP	DSW	Total
Current assets of discontinued operations:					
Accounts receivable	$ 4,208	$ 956	$ 374	$	$ 5,538
Inventory	837	853			1,690
Prepaid expenses and other current assets	1,882	783	7,172	27	9,864
	$ 6,927	$ 2,592	$ 7,546	$ 27	$ 17,092
Long-term assets of discontinued operations:					
Property and equipment, net	$ 637	$ 68	$ 186	$	$ 891
Goodwill	17,080	8,107	3,982		29,169
Intangible assets, net	6,976	2,787	2,369		12,132
Other assets	61	62			123
	$ 24,754	$ 11,024	$ 6,537	$	$ 42,315
Current liabilities of discontinued operations:					
Accounts payable	$ 468	$ 52	$ 85	$ 6	$ 611
Accrued expenses and other liabilities	833	190	397		1,420
Deferred revenue, current portion	2,192	2,108	5,580		9,880
Capital lease obligations, current portion	5				5
Notes payable, current portion	4,851	2,224			7,075

	$ 8,349	$ 4,574	$ 6,062	$ 6	$ 18,991
Long-term liabilities of discontinued operations:					
Deferred revenue, less current portion	$ 946	$ 528	$	$	$ 1,474
Capital lease obligations, less current portion	32				32
Deferred rent, less current portion	81	159			240
	$ 1,059	$ 687	$	$	$ 1,746

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	December 31, 2007		
	LPI	SpecPub	Total
Current assets of discontinued operations:			
Accounts receivable	$ 3,189	$ 977	$ 4,166
Inventory	1,113	314	1,427
Prepaid expenses and other current assets	1,251	504	1,755
	$ 5,553	$ 1,795	$ 7,348
Long-term assets of discontinued operations:			
Property and equipment, net	$ 620	$ 54	$ 674
Goodwill	1,427	2,708	4,135
Intangible assets, net	1,870	2,567	4,437
Other assets	58	51	109
	$ 3,975	$ 5,380	$ 9,355
Current liabilities of discontinued operations:			
Accounts payable	$ 495	$ 73	$ 568
Accrued expenses and other liabilities	603	161	764
Deferred revenue, current portion	1,717	1,434	3,151
Capital lease obligations, current portion	23	7	30
	$ 2,838	$ 1,675	$ 4,513
Long-term liabilities of discontinued operations:			
Deferred revenue, less current portion	$ 1,089	$ 578	$ 1,667
Capital lease obligations, less current portion	104	24	128
Deferred rent, less current portion	157	178	335
	$ 1,350	$ 780	$ 2,130

Liquidity and Capital Resources

Cash provided by operating activities for the nine months ended September 30, 2008 was $3.4 million, due primarily to non-cash charges related to depreciation and amortization, a decrease in accounts receivable and net cash provided by operating activities of discontinued operations, offset partially by PlanetOut s loss from continuing operations of $4.7 million. Cash used in operating activities for the nine months ended September 30, 2007 was $13.7 million, and was primarily attributable to its loss from continuing operations of $10.9 million and net cash used in operating activities of discontinued operations of $9.7 million, partially offset by non-cash charges related to depreciation and amortization expense and a decrease in accounts receivable.

Cash used in investing activities in the nine months ended September 30, 2008 was $3.1 million and was primarily attributable to purchases of property and equipment and an increase in restricted cash related to reserves required by its credit card processors in order to cover any exposure that they may have as PlanetOut collects revenue in advance of providing services to its customers. Cash provided by investing activities in the nine months ended September 30, 2007 was $1.8 million and was primarily attributable to sales of short-term investments and changes in restricted cash, offset partially by purchases of property and equipment.

Net cash used in financing activities in the nine months ended September 30, 2008 was $0.6 million, due primarily to principal payments under capital lease obligations. Net cash provided by financing activities in the nine months ended September 30, 2007 was $13.2 million, due primarily to the net proceeds of $24.0 million from its equity financing in July 2007 with a group of accredited and institutional investors, partially offset by principal payments under capital lease obligations and notes payable.

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PlanetOut expects that cash provided by (used in) operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in its operating results, advertising sales, subscription trends and accounts receivable collections.

During the nine months ended September 30, 2008, PlanetOut invested $1.8 million in property and equipment of which $0.1 million was financed through capital leases. 100% of this investment related to computer equipment and software and website development costs related to enhancements to its website infrastructure and features. For the remainder of fiscal 2008, PlanetOut expects to continue investing in its technology development as its improves its online technology platform and enhances its features and functionality across its network of websites.

	Year Ended December 31,	
	2006	2007
	(In thousands, except percentage of total assets)	
Net cash provided by (used in):		
Operating activities	$ (4,621)	$ (14,917)
Investing activities	(14,867)	796
Financing activities	10,700	12,952
Effect of exchange rate on cash and cash equivalents	1	29
Net decrease in cash and cash equivalents	$ (8,787)	$ (1,140)
Cash, cash equivalents and short-term investments		
Cash and cash equivalents	$ 9,674	$ 8,534
Short-term investments	2,050	
Total cash, cash equivalents and short-term investments	$ 11,724	$ 8,534
Percentage of total assets	12.5%	20.6%

Cash used in operating activities for 2007 was $14.9 million, due primarily to PlanetOut s loss from continuing operations of $13.7 million and cash used in operating activities of discontinued operations of $9.5 million, partially offset by impairment of goodwill and intangible assets of $0.4 million, depreciation and amortization expense of $5.5 million, stock-based compensation expense of $0.7 million and a net decrease in operating assets and liabilities of $0.3 million. Cash used in operating activities for 2006 was $4.6 million, due primarily to PlanetOut s loss from continuing operations of $1.9 million, cash used in operating activities of discontinued operations of $2.2 million and an increase in accounts receivable of $1.1 million partially offset by depreciation and amortization of $3.8 million and stock-based compensation expense of $0.3 million.

Cash provided by investing activities for 2007 was $0.8 million, due primarily to sales of short-term investments of $2.1 million and a decrease in restricted cash of $2.7 million, offset partially by purchases of property and equipment of $3.7 million. Cash used in investing activities for 2006 was $14.9 million, due primarily to acquisitions of discontinued operations of $5.4 million, purchases of property and equipment of $4.1 million, purchases of short-term investments of $2.1 million and an increase in restricted cash of $2.9 million.

Net cash provided by financing activities for 2007 was $13.0 million, due primarily to the net proceeds from its equity financing of $24.0 million, partially offset by payment of note obligations of $10.2 million to Orix and $0.8 million for principal payments under capital lease obligations. Net cash provided by financing activities for 2006 was $10.7 million, due primarily to proceeds from issuance of notes payable of $10.5 million and proceeds from the repayment of a stockholder note receivable of $0.8 million, partially offset by $1.1 million for principal payments under capital lease obligations and notes payable.

In September 2006, PlanetOut entered into its Loan Agreement with Orix, which was amended in February 2007, May 2007 and June 2007. Pursuant to the Loan Agreement, PlanetOut 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 the lesser of $3.0 million, which PlanetOut 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 an initial rate of prime plus 3%. 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 PlanetOut s assets and all of the outstanding capital stock of all of its subsidiaries, except for the assets and capital stock of SpecPub, which were pledged as security for the LPI note.

PlanetOut entered into a waiver and amendment to the Loan Agreement in May 2007 (the May Waiver), pursuant to which Orix waived defaults associated with its failure to meet certain financial tests and liquidity covenants. In consideration of the May Waiver, PlanetOut, 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, PlanetOut 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 its 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, PlanetOut 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 its common stock and used a portion of the proceeds to repay, in full, the LPI note, the Orix term loan, the Orix revolving loan, the deferral fee and $0.3 million in prepayment fees.

During 2007, PlanetOut invested $4.1 million in property and equipment of which $0.4 million was financed through capital leases. 97% of this investment related to capitalized labor, hardware and software related to enhancements to its website infrastructure and features.

PlanetOut s capital requirements depend on many factors, including the level of its revenues, the resources it devotes to developing, marketing and selling its products and services, the timing and extent of its introduction of new features and services, the extent and timing of potential investments and other factors. In particular, PlanetOut s subscription services consist of prepaid subscriptions that provide cash flows in advance of the actual provision of services. PlanetOut expects to devote substantial capital resources to its product development and marketing efforts and for other general corporate activities. If PlanetOut does not have sufficient cash available to finance its operations, it may be required to obtain additional public or private debt or equity financing. PlanetOut cannot be certain that additional financing will be available to it on favorable terms when required or at all.

Off-Balance Sheet Arrangements

PlanetOut did not have any off-balance sheet liabilities or transactions as of September 30, 2008.

Contractual Obligations

The following table summarizes PlanetOut s contractual obligations as of September 30, 2008, and the effect that these obligations are expected to have on PlanetOut s liquidity and cash flows in future periods (in thousands):

Payments Due by Period
Remainder

	Total	of 2008	2009-2010	2011-2012
Capital leases	$ 1,422	$ 255	$ 1,079	$ 88
Operating leases	8,420	607	4,849	2,964
Total contractual obligations	$ 9,842	$ 862	$ 5,928	$ 3,052

Capital Leases. PlanetOut holds property and equipment under noncancelable capital leases with varying maturities.

Operating Leases. PlanetOut leases or subleases 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 its non-cancelable operating leases for office facilities, as well as limited computer and office equipment that it utilizes under lease arrangements. The amounts presented are consistent with contractual terms and are not expected to differ significantly, unless a substantial change in its headcount needs requires PlanetOut to exit an office facility early or expand its occupied space.

Critical Accounting Policies

PlanetOut s discussion and analysis of its financial condition and results of operations are based upon its 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 PlanetOut to make estimates and judgments that affect the reported amount of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities.

PlanetOut bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis on which PlanetOut makes 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.

PlanetOut believes the following critical accounting policies require more significant judgments and estimates in the preparation of its consolidated financial statements:

Revenue recognition. PlanetOut derives its revenue principally from the sale of online premium subscription services, banner and sponsorship advertisements, and transactions services. Premium online subscription services are generally for a period of one month to twelve months. Premium online subscription services are generally paid for upfront by credit card, subject to cancellations by subscribers or charge backs from transaction processors. Revenue, net of estimated cancellations and charge backs, is recognized ratably over the service term. To date, cancellations and charge backs have not been significant and have been within management s expectations. Prior to the sales of its publishing business, PlanetOut also derived revenue from magazine subscriptions. Deferred magazine subscription revenue resulted from advance payments for magazine subscriptions received from subscribers and was amortized on a straight-line basis over the life of the subscription as issues were delivered. PlanetOut provided an estimated reserve for magazine subscription cancellations at the time such subscription revenues were recorded. Newsstand revenues were recognized based on the on-sale dates of magazines and were recorded based upon estimates of sales, net of product placement costs paid to resellers. Estimated returns from newsstand revenues were recorded based upon historical experience. In January 2006, PlanetOut began offering its customers premium online subscription services bundled with magazine subscriptions. In accordance with EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21), PlanetOut deferred subscription revenue on bundled subscription service offerings based on the pro-rata fair value of the individual premium online subscription services and magazine subscriptions.

To date, the duration of PlanetOut s banner advertising commitments has ranged from one week to one year. Sponsorship advertising contracts have terms ranging from three months to two years and also involve more integration with PlanetOut s services, such as the placement of buttons that provide users with direct links to the advertiser s website. Advertising revenue on both banner and sponsorship contracts is recognized ratably over the term of the contract, provided that PlanetOut has no significant obligations remaining at the end of a period and collection of the resulting receivables is reasonably assured, at the lesser of the ratio of impressions delivered over the total number of undertaken impressions or the straight-line basis. PlanetOut s obligations typically include undertakings to deliver a minimum number of impressions, or times that an advertisement appears in pages viewed by users of its online properties. To the extent that these minimums are not met, PlanetOut defers recognition of the corresponding revenue until the minimums are achieved. Magazine advertising revenues were recognized, net of related agency commissions, on the date the magazines were placed on sale at the newsstands. Revenues received for advertisements in magazines to go on sale in future months were classified as deferred advertising revenue.

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Transaction service revenue generated from sale of products held in inventory is recognized when the product is shipped net of estimated returns. PlanetOut also earns commissions for facilitating the sale of third-party products and services which are recognized when earned based on reports provided by third-party vendors or upon cash receipt if no reports are provided. In accordance with EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent,* the revenue earned for facilitating the sale of third-party merchandise is reported net of cost as agent. This revenue is reported net due to the fact that although PlanetOut receives the order and collect money from buyer, PlanetOut is under no obligation to make payment to the third party unless payment has been received from the buyer and risk of return is also borne by the third party.

Advertising Costs. Costs related to advertising and promotion are charged to sales and marketing expense as incurred except for direct-response advertising costs which are amortized over the expected life of the subscription, typically a twelve-month period. Direct-response advertising costs consist primarily of production costs associated with direct-mail promotion of magazine subscriptions.

Valuation Allowances. PlanetOut maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

PlanetOut accrues an estimated amount for sales returns and allowances in the same period that the related revenue is recorded based on historical information, adjusted for current economic trends. To the extent actual returns and allowances vary from the estimated experience, revisions to the allowance may be required. Significant management judgments and estimates are made and used in connection with establishing the sales and allowances reserve in any accounting period.

PlanetOut records a full valuation allowance against its deferred tax assets due to uncertainties related to its ability to realize the benefit of its deferred tax assets primarily from its net operating losses. In the future, if PlanetOut generates sufficient taxable income and it determines that it would be able to realize its deferred tax assets, an adjustment to the valuation allowance would impact the results of operations in that period.

Goodwill and Other Long-lived Assets. PlanetOut s long-lived assets include goodwill, intangibles, property and equipment. PlanetOut tests goodwill for impairment on an annual basis and between annual tests in certain circumstances. Application of the goodwill impairment test requires judgment in determining the fair value of its reporting units and its enterprise as a whole. PlanetOut conducts its annual test as of December 1 each year. Future impairment losses may have a material adverse impact on its financial condition and results of operations.

PlanetOut records an impairment charge on intangibles or long-lived assets to be held and used when it determines that the carrying value of these assets may not be recoverable and/or exceed their carrying value.

Based on the existence of one or more indicators of impairment, PlanetOut measures any impairment based on a projected discounted cash flow method using a discount rate that PlanetOut determines to be commensurate with the risk inherent in its business model. PlanetOut s estimates of cash flow require significant judgment based on its historical results and anticipated results and are subject to many factors.

Capitalized Website Development Costs. PlanetOut capitalizes the costs of enhancing and developing features for its websites when it believes that the capitalization criteria for these activities have been met and amortize these costs on a straight-line basis over the estimated useful life, generally three years. PlanetOut expenses the cost of enhancing and developing features for its websites in cost of revenue only when it believes that capitalization criteria have not been met. PlanetOut exercises judgment in determining when to begin capitalizing costs and the period over which it amortizes the capitalized costs. If different judgments were made, it would have an impact on PlanetOut s results of operations.

Stock-based compensation. PlanetOut has granted stock options to employees and non-employee directors. In accordance with SFAS No. 123 (revised 2004), *Share-Based Payment* (FAS 123R). Under the fair value recognition provisions of FAS 123R, PlanetOut recognizes stock-based compensation net of an estimated forfeiture rate and only recognizes compensation cost for those shares expected to vest on a straight-line basis over the requisite service period of the award (normally the vesting period).

Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require the input of highly subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility. PlanetOut uses the Black-Scholes model to value its stock option awards. Management uses an estimate of future volatility for its stock based on its historical volatility and the volatilities of comparable companies. The assumptions used in calculating the fair value of stock-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different in the future. In addition, PlanetOut is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what has been recorded in the current period. See Notes 1 and 10 of Notes to consolidated financial statements of PlanetOut Inc. for the two years ended December 31, 2007, for a further discussion on stock-based compensation.

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

PlanetOut files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. PlanetOut is 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. PlanetOut does not believe there will be any material changes in its unrecognized tax positions over the next 12 months. PlanetOut believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, PlanetOut did not record a cumulative effect adjustment related to the adoption of FIN 48.

PlanetOut s policy is that it recognizes 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, PlanetOut did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the year. Its effective tax rate differs from the federal statutory rate primarily due to increases in its deferred income tax valuation allowance.

Seasonality and Inflation

PlanetOut anticipates that its business may be affected by the seasonality of certain revenue lines. For example, advertising buys are usually higher approaching year-end and lower at the beginning of a new year than at other points during the year.

Inflation has not had a significant effect on its revenue or expenses historically, and PlanetOut does not expect it to be a significant factor in the short-term. However, inflation may affect its business in the medium-term to long-term. In particular, PlanetOut s 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 May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FAS 162). FAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. FAS 162 is effective 60 days following the SEC s approval of Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present fairly in conformity with generally accepted accounting principles . FAS 162 is not expected to have a material impact on PlanetOut s financial statements.

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In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*, (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142 in order to improve the consistency between the useful life of a recognized intangible asset under FAS 142 and the period of expected cash flows used to measure the fair value of the asset under FAS 141R and other generally accepted accounting principles. FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. FAS 142-3 is not expected to have a material impact on PlanetOut s financial statements.

In February 2008, the FASB issued FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2), to partially defer SFAS 157, *Fair Value Measurements* (FAS 157). FSP FAS 157-2 defers the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. FAS 157 is not expected to have a material impact on PlanetOut s financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (FAS 141R). FAS 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. FAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. FAS 141R is not expected to have a material impact on PlanetOut s financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (FAS 160). FAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. FAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. FAS 160 is not expected to have a material impact on PlanetOut s financial statements.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PlanetOut has not had any disagreements with its auditors on accounting and financial disclosures.

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INFORMATION ABOUT HERE NETWORKS

Here Networks Business

Here Networks offers original movies, series, documentaries and music specials tailored for the LGBT community on a subscription and transactional basis via cable television, DTH satellite television, fiber-optic television and the Internet under the brand name here! . Here Networks has agreements with major cable, satellite and fiber-optic television operators in the United States, including Comcast, Cablevision, Time Warner, Charter, DirecTV, EchoStar, Verizon, AT&T and Cox. As of September 30, 2008, Here Networks VOD, SVOD and/or linear television channel services were available through cable, satellite and fiber-optic television providers who served approximately 34 million domestic television households in the United States as of September 30, 2008, according to internal data based on reports provided by these operators. Programming highlights on here! in 2008 include *Dante s Cove* (original series), *The Donald Strachey Mysteries* (original motion pictures) and *The DL Chronicles* (original series).

Here Networks also operates a website, www.heretv.com, which features original shows, podcasts, news, blogs and other entertainment as well as a large library of LGBT-themed streaming video. Here Networks recently expanded its Internet distribution channel by making available on its website a pay-SVOD service that allows subscribers to view video content on their computers. In addition, Here Networks syndicates free-to-the-user content to websites including www.msn.com and www.aol.com.

Here Networks holds a 25% stake in a holding company that, as of September 30, 2008, owned 56% of OUTtv, a digital specialty television network providing programming of particular interest to the gay and lesbian community across Canada. OUTtv plans to change its name to here! Canada in 2009.

Here Networks is a Texas limited liability company. Its membership interests are wholly owned by Here Management LLC, which is 51%-owned by Mr. Jarchow and 35%-owned by Mr. Colichman. Its executive offices are located at 10990 Wilshire Boulevard, Penthouse, Los Angeles, California 90024, and its telephone number is (310) 806-4288.

History

Here Networks commenced operations in 2004, initially offering pay-per-view services and subsequently adding VOD services. Here Networks currently offers two premium television services offered on an à la carte basis: an SVOD service (launched in 2004) and a 24/7 linear television channel service (launched in 2006). Here Networks SVOD service offers subscribers unlimited access to approximately 40 hours of designated programming each month from Here Networks library of licensed content, while its linear television channel offers subscribers programs at scheduled times.

Sources of Revenue

Here Networks generates revenue from the receipt of fees paid by its subscribers for its SVOD and linear television channel services and transactional fees paid by viewers of its VOD services. Subscription and transaction revenue totaled 99.4% and 99.5% of revenue for the years ended December 31, 2007 and 2006, respectively, and 21.3% of revenue for the nine months ended September 30, 2008. During the nine months ended September 30, 2008, Here Networks generated 77.9% of revenue from publicity and marketing services provided to Regent Releasing, a related party of Here Networks that is not involved in the proposed business combination. See Management s Discussion and Analysis of Here Networks Financial Condition and Results of Operations Overview.

Generally, under the terms of Here Networks agreements with cable, satellite and fiber-optic television operators, Here Networks is paid based on a percentage of the amount charged to subscribers or VOD or pay-per-view viewers of the relevant cable, satellite or fiber-optic television operator, typically ranging from 40% to 50% of those charges, subject to a negotiated minimum dollar amount per subscriber and to any additional incentives that Here Networks may offer an operator for carrying its service for a specified period of time. These additional incentives may include the operator effectively retaining the full amount of monthly subscriber fees for a specified period, such as the first three months of a twelve-month period, before fees are paid to Here Networks. The relevant cable or satellite television operator collects the fees from Here Networks subscribers and viewers and pays to Here Networks its corresponding amount, typically within 90 days of receipt from the customer.

These agreements, which have typical terms of five years, generally provide the cable, satellite or fiber-optic television operator with a non-exclusive right but not an obligation to distribute Here Networks VOD, SVOD and/or linear channel services. For the nine months ended September 30, 2008, 89.0% of subscription and transaction revenue was attributable to viewers of a total of five cable television operators, while 93.0% was attributable to viewers of these five operators for the year ended December 31, 2007. During the nine months ended September 30, 2008, fees from viewers of Time Warner, Cablevision and Comcast represented 39.3%, 21.2% and 17.2%, respectively, of subscription and transaction revenue. Here Networks agreements with these operators expire or are subject to renewal at various times, beginning in 2010 through 2012, unless earlier terminated by the operator. See Risk Factors Risks Relating to the Business of the Combined Company Here Networks depends substantially on a limited number of cable television operators.

Operating Expenses

Here Networks principal operating costs consist of programming, marketing and personnel related expenses. Here Networks incurs costs to acquire content such as movies, television series and other programming from production and distribution companies. During each of the years ended December 31, 2007 and 2006 and the nine months ended September 30, 2008, Here Networks acquired a substantial majority of its programming from the following related parties:

- Regent Studios, a motion picture studio which originates, develops, finances and produces theatrical and television motion pictures for the U.S. and international marketplace;
- Regent Worldwide Sales, a worldwide distributor of theatrical and television motion pictures; and
- Regent Releasing, which releases independent films to theater venues throughout the United States, including films produced by related and third parties.

In the years ended December 31, 2007 and 2006, Here Networks acquired approximately 91% and 98%, respectively, of its programming (measured as a percentage of total programming costs) from these related parties, while in the nine months ended September 30, 2008, Here Networks acquired 87% of its programming from these related parties. Here Networks believes that the program license agreements with these related parties have been negotiated as arms -length transactions. Here Networks expects to reduce in part its dependence on programming from affiliates and third parties by developing its own content in the future, some of which it also expects to distribute through third parties.

New Production Business

Here Networks plans to develop a motion picture studio business that originates, develops, finances and produces theatrical and television motion pictures for the U.S. and international marketplace. Here Networks production business will be initially run by approximately ten persons. This group of persons has significant experience in the motion picture industry, including with affiliates of Here Networks involved in the motion picture production business.

Here Networks plans to debut motion pictures that it produces primarily through its television network and Internet platform. It may also offer motion pictures that it produces for theatrical release and DVD sales.

Here Networks expects that it will incur costs in developing its new motion picture production operations, which will consist principally of compensation expenses for the approximately 10 persons who will initially be involved in this business activity. Additional costs will be incurred on a production-by-production basis in connection with the production of individual motion pictures.

Here Networks business model relating to its motion picture business will differ from that of producers of motion pictures primarily for theatrical release. Producers of motion pictures intended primarily for theatrical release have historically incurred substantial marketing costs before and throughout the theatrical release of a film and, to a lesser extent, for other distribution windows. These costs are required, under generally accepted accounting principles, to be expensed as incurred, which typically results in losses being recorded with respect to a particular film prior to and during the film s theatrical exhibition before generating profits, if any, in subsequent distribution windows such as DVD and television. Here Networks does not expect to incur marketing costs of a similar magnitude for motion pictures it produces for release through its television distribution channels, although it may choose to incur substantial marketing costs in connection with specific business development strategies.

Here Networks expects that production costs will be capitalized as incurred and amortized as related ultimate revenues are received in accordance with Statement of Position (SOP) 00-2, Accounting by Producers or Distributors of Films. Here Networks may seek to enter into film financing arrangements under which third parties participate in the financing of the production costs of a film in exchange for a partial interest. Here Networks may also seek funding for its productions from various Canadian subsidies and other state and foreign financing programs. However, given the limited resources of these programs, there can be no assurance that Here Networks will be able to obtain these funds for its future productions.

Regulatory Matters

Here Networks operates an Internet website which it uses to distribute information about and supplement Here Networks programs with content. Here Networks has also recently launched a pay-SVOD service on its website. Internet services are subject to regulation in the United States relating to the privacy and security of personally identifiable user information and acquisition of personal information from children under 13, including the federal Child Online Protection Act (COPA) and the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM). In addition, a majority of states have enacted laws that impose data security and security breach obligations. Additional federal and state laws and regulations may be adopted with respect to the Internet or other online services, covering such issues as user privacy, child safety, data security, advertising, pricing, content, copyrights and trademarks, access by persons with disabilities, distribution, taxation and characteristics and quality of products and services. In addition, to the extent Here Networks offers products and services to online consumers outside the United States, the laws and regulations of foreign jurisdictions, including, without limitation, consumer protection, privacy, advertising, data retention, intellectual property, and content limitations, may impose additional compliance obligations on Here Networks.

Competition

Here Networks generally competes with other cable networks, the broadcast television networks and digital properties such as MySpace and YouTube. Here Networks also competes for its target audience with competitors programming services that target the same or similar audiences. Here Networks competes with LGBT-oriented shows on cable and broadcast networks including Logo (owned by Viacom) and online properties such as Logoonline.com. Here Networks also competes with other cable networks for distribution agreements with cable television operators, DTH satellite operators and other distributors.

Here Networks anticipated motion picture business will compete for audiences with the major studios such as Disney, Fox, Sony Pictures, Universal and Warner Bros., which have greater financial and other resources than Here Networks, as well as with independent film and television producers, in the production and distribution of motion pictures and other entertainment content. Here Networks competitive position will primarily depend on the number and quality of the films produced, its ability to produce films cost-effectively, the films distribution and marketing success and public response. Here Networks will also compete to obtain creative talent, including actors, directors and writers, and scripts for motion pictures, all of which are essential to its success. Here Networks will also compete with these studios and other producers of entertainment content for distribution of their products through the various distribution windows and on digital platforms.

Intellectual Property

Here Networks intellectual property principally consists of licenses of television programming, trademarks and the domain names for its websites, including Heretv.com. Here Networks may grant to its affiliates the right to use the here! trademark on a royalty-free basis.

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To protect Here Networks intellectual property rights, Here Networks relies upon a combination of copyright, trademark, unfair competition, and Internet/domain name statutes and laws. However, there can be no assurance of the degree to which these measures will be successful in any given case. Moreover, effective intellectual property protection may be either unavailable or limited in certain foreign territories. Policing unauthorized use of Here Networks products and services and related intellectual property is often difficult, and any steps taken may not always prevent the infringement by unauthorized third parties of Here Networks intellectual property.

Employees

As of September 30, 2008, Here Networks employed approximately 20 employees. Here Networks also shares employees of related parties in the ordinary course of its business. See Management s Discussion and Analysis of Here Networks Financial Condition and Results of Operations Critical Accounting Policies Related Party Transactions.

None of Here Networks employees is represented by collective bargaining arrangements. To date, Here Networks has experienced no work stoppages, and Here Networks believes that its relationship with its employees is good.

Legal Proceedings

Here Networks is subject to various claims and legal proceedings from time to time that arise in the ordinary course of its business activities. Here Networks management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on Here Networks financial condition or results of operations.

Management s Discussion and Analysis of Here Networks Financial Condition and Results of Operations

The following Management s Discussion and Analysis of Financial Condition and Results of Operations of Here Networks should be read in conjunction with the financial statements and related notes included elsewhere in this proxy statement/prospectus and contains forward-looking statements that involve risks and uncertainties. See Forward-Looking Statements.

Overview

Here Networks offers original movies, series, documentaries and music specials tailored for the LGBT community on a subscription and transactional basis via cable television, DTH satellite television, fiber-optic television and the Internet under the brand name here! . Here Networks has agreements with major cable, satellite and fiber-optic television operators in the United States. Here Networks also operates a website, www.heretv.com, which features original shows, podcasts, news, blogs and other entertainment as well as a large library of LGBT-themed streaming video, and has recently added to its website a pay-SVOD service.

Here Networks generates revenue from the receipt of fees paid by its subscribers for its SVOD and linear television channel services and transactional fees paid by viewers of its VOD services. Subscription and transaction revenue totaled 99.4% and 99.5% of revenue for the years ended December 31, 2007 and 2006, respectively, and 21.3% of revenue for the nine months ended September 30, 2008. Here Networks also generates other revenue from its online pay-SVOD services, which were recently launched, as well as syndication fees for free-to-the-user content supplied to third party websites which have not been significant to date.

During the nine months ended September 30, 2008, Here Networks generated 77.9% of its revenue from publicity and marketing services provided to Regent Releasing, a related party of Here Networks. These publicity and marketing services consisted of marketing and consulting services provided to Regent Releasing by Here Networks publicity and marketing staff. Publicity and marketing revenue for the nine months ended September 30, 2008 is not necessarily indicative of revenue, if any, that may be earned in future periods from these services. The amount of publicity and marketing revenues in future periods will depend on a number of factors, including the number of films released or available for release during the relevant period and the related party s decisions regarding appropriate marketing and publicity with respect to those films.

A substantial majority of Here Networks subscription and transaction revenue is attributable to viewers of five cable and satellite television operators, with the top three operators representing 39.3%, 21.3% and 17.2% of subscription and transaction revenue for the nine months ended September 30, 2008. See Here Networks Business Sources of Revenue. Here Networks revenue growth in its existing business depends on the continued increase of subscribers, which it expects will be driven by the popularity of its programming and other entertainment content and by the increased availability of its content on new distribution platforms and its ability to monetize its multiplatform presence. See The Proposed Business Combination The HMI Entities Reasons for the Contribution. Here Networks plans to develop a motion picture studio business to produce content for its own use (see Here Networks Business New Production Business) and expects to generate revenues in the future from sales of some of its original programming to third parties.

Here Networks principal operating costs relate to the acquisition of content, primarily consisting of movies and television series from production companies. Program broadcast rights are amortized utilizing the straight-line method, generally over the license term. To date, Here Networks has acquired a substantial majority of its programming from related parties that have produced motion pictures, acquired motion picture rights from third parties or acted as sales agents for third parties. See Here Networks Business Operating Expenses. Here Networks also expects to incur costs in connection with the production of programming through its planned motion picture studio business. Here Networks ability to engage in the motion picture production business will depend significantly on its ability to obtain financing, including in the form of subsidies, for its productions. Here Networks cannot assure you that such financing will be available on acceptable terms or at all. See Management s Discussion and Analysis of Here Networks Financial Condition and Results of Operations Liquidity and Capital Resources.

Because Here Networks is a limited liability company that has elected to be treated as a partnership for tax purposes, tax expense in Here Networks financial statements included elsewhere in this document does not include income taxes, which are borne by the limited liability company s members. If the proposed business combination is consummated, Here Media expects to file a consolidated tax return that will include Here Networks, as a result of which Here Media will have income tax expense in respect of Here Networks taxable income.

Critical Accounting Policies

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

Here Networks bases its estimates on historical experience and on various assumptions that it believes to be reasonable under the circumstances, the results of which form the basis on which it makes 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 in material respects from management s estimates.

Here Networks believes the following critical accounting policies require significant judgments and estimates in the preparation of its financial statements.

Related Party Transactions

Here Networks and several of its affiliates, including Regent Studios, Regent Worldwide and Regent Releasing which will not be transferred to Here Media in the proposed business combination, share certain general and administration expenses. Expenses shared by these companies require the use of significant judgments and estimates in determining the appropriate allocation of expenses among the companies. Allocation of salary costs among affiliated companies is performed on an individual employee basis and is based upon the proportionate share of each employee s time dedicated to each company. Nonpayroll costs, such as insurance, office rent, utilities, information technology and other office expenses are allocated in proportion to allocated payroll costs. Here Networks management believes the allocation methodology is reasonable and represents management s best available estimate of actual costs incurred by each company. Different assumptions or allocation methods could result in materially different results. Here Networks does not intend to continue to share these general and administration expenses following the consummation of the proposed business combination.

In addition, Here Networks has program license agreements with Regent Studios, Regent Worldwide and Regent Releasing that provide it with a substantial amount of Here Networks programming. Here Networks believes that the program license agreements have been negotiated as arms -length transactions.

Revenue Recognition

As Here Networks does not collect payments directly from viewers of its subscription or transactional television services and has no obligation to make payments to the system operators, Here Networks recognizes revenues on a net basis in accordance with the principles underlying Emerging Issues Task Force (EITF) No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent. Here Networks recognizes revenue from television services for the month in which programming is broadcast to viewers and when collectability is reasonably assured. Viewership counts are reported monthly by system operators. The relevant system operator collects the fees and pays to Here Networks its corresponding portion, typically within 90 days of receipt of payment from the viewer. In accordance with EITF No.

99-19, revenue earned from viewers is recorded net of the portion retained by the relevant system operator. Here Networks provides for an allowance under contracts with some of the system operators that provide for the reimbursement of amounts previously paid to Here Networks if Here Networks television services are carried for a contractually specified period of time.

Investment in Film and TV Programming

Rights to programs available for broadcast under program license agreements are initially recorded at the beginning of the license period for the amounts of total license fees payable under the license agreements and are charged to operating expense over the license period. Program broadcast rights are recorded at the lower of cost, less accumulated amortization, or net realizable value. Capitalized distribution rights consist of the non-reimbursable amounts paid by Here Networks for rights to distribute particular films or film libraries. Here Networks distribution agreements typically include rights to exploit the films and television programming via most forms of media to the United States and its territories for the duration of the distribution agreement.

Here Networks offers multiple hours of programming to subscribers each month, refreshing 50% or more of the programming on a monthly basis. Accordingly, Here Networks cannot attribute the monthly fees earned per subscriber to individual programs. As a result, Here Networks is unable to recognize expenses utilizing the individual film forecast method under Statement of Position (SOP) 00-2, Accounting by Producers or Distributors of Films. Therefore Here Networks amortizes program broadcast rights utilizing the straight-line method, generally over the license term. Here Networks believes that this method provides a reasonable matching of expenses with total estimated revenues over the periods that revenues associated with the films and programs are expected to be realized.

In accordance with SOP 00-2, when certain factors indicate that an impairment may exist, Here Networks tests for impairment under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The carrying value of a long-lived asset is considered impaired when the anticipated discounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset held for use. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. During the period ended September 30, 2008, no impairment loss was recognized.

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Results of Operations Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2008

Here Networks consolidated results of operations are presented below for the nine months ended September 30, 2007 and 2008.

	Nine Months Ended September 30, 2007 (Unaudited)	Nine Months Ended September 30, 2008 (Unaudited)	Increase (Decrease) %
Revenue			
Subscription	1,245,573	1,671,758	34.2%
Transaction	776,688	36,340	(95.3)%
Publicity and Marketing		6,235,898	NM
Other	11,572	65,022	NM
Total Revenue	2,033,832	8,009,018	NM
Expenses			
Cost of revenue	4,885,655	4,423,239	(9.5)%
Distribution and marketing	1,600,914	789,318	(50.7)%
General and administration expenses	4,604,732	4,049,046	(12.1)%
Total expenses	11,091,301	9,261,603	(16.5)%
Loss from operations	(9,057,469)	(1,252,585)	(86.2)%
Other income and expenses			
Interest expense	(1,001,556)		NM
Loss before taxes	(10,059,025)	(1,252,585)	(87.5)%
Taxes	4,836	(36,645)	NM
Net loss	(10,054,189)	(1,289,230)	(87.2)%

NM Not meaningful

Revenue

Total revenue increased to $8.0 million for the nine months ended September 30, 2008 from $2.0 million for the nine months ended September 30, 2007. This increase was due to $6.2 million of revenue earned from publicity and marketing services provided to Regent Releasing, an affiliate of Here Networks, in connection with Regent Releasing s release of theatrical motion pictures focused on the LGBT community.

Subscription and transaction revenue decreased 15.5% to $1.7 million for the nine months ended September 30, 2008 from $2.0 million for the nine months ended September 30, 2007, due to a decrease of $0.7 million in transaction revenue, offset in part by an increase of $0.4 million in subscription revenue attributable in part to the launch of SVOD services on Comcast in July 2007. The decrease in transaction revenue was due in part to a transition from Here Networks pay-per-view and VOD services to its SVOD services on certain cable television systems. In addition, Here Networks pay-per-view services were temporarily unavailable on two DTH satellite television operators during the nine months ended September 30, 2008, as those operators transitioned the here! Network to a digital service.

Expenses

Cost of Revenue

Cost of revenue consists of amortization of program broadcast rights and expenses related to the delivery of programming to cable, satellite and fiber-optic television providers and on-air promotional segments or interstitials that are broadcast between programs on the here! Network. Cost of revenue decreased 9.5% to $4.4 million for the nine months ended September 30, 2008 from $4.9 million for the nine months ended September 30, 2007, primarily due to a decrease in expenses relating to on-air promotion. On-air promotional expense for the nine months ended September 30, 2007 reflected on-air promotional activities relating to the launch of SVOD services on Comcast in July 2007.

Distribution and Marketing Expenses

Distribution and marketing expenses relate principally to publicity and marketing activities, as well as advertising. Distribution and marketing expenses decreased 50.7% to $0.8 million for the nine months ended September 30, 2008 from $1.6 million for the nine months ended September 30, 2007. In the nine months ended September 30, 2008, Here Networks decreased its publicity and marketing activities, as it was able to take advantage of the cross-promotional publicity and marketing activities conducted by its affiliate, Regent Releasing, in connection with the release during the period of a number of LGBT-oriented films, some of which were released simultaneously in theatres and on Here Networks SVOD services. Regent Releasing also engaged in cross-promotional online advertising and marketing featuring Here Networks in connection with its spending commitments under a marketing agreement with PlanetOut. See The Proposed Business Combination Background of the Proposed Business Combination. Distribution and marketing expenses for the nine months ended September 30, 2007 reflected publicity and advertising expenses related to the launch of SVOD services on Comcast in July 2007.

General and Administration Expenses

General and administration expenses decreased 12.1% to $4.0 million for the nine months ended September 30, 2008 from $4.6 million for the nine months ended September 30, 2007 mainly due to a 17.0% decrease in payroll and related expenses to $2.5 million for the nine months ended September 30, 2008 from $3.0 million for the nine months ended September 30, 2007. The decrease in payroll and related expenses was attributable to a decrease in salary costs allocated to Here Networks due in part to the increased activities of Regent Releasing during the period that required additional human resources and to employee time dedicated to the acquisition of PlanetOut s publishing business by Regent Entertainment Media, an affiliate of Here Networks. See Critical Accounting Policies Related Party Transactions.

Other Income and Expenses

Other expenses, consisting of interest expense, were $1.0 million for the nine months ended September 30, 2007. Here Networks did not record interest expense for the nine months ended September 30, 2008, as a result of the assumption by Here Management LLC, the sole member of Here Networks, of Here Networks obligations to certain related parties under outstanding promissory notes. See note 5 to the financial statements of Here Networks as of December 31, 2006 and 2007 and for the years ended December 31, 2006 and 2007 included elsewhere in this document. The amounts due under the promissory notes, totaling $30.9 million, were transferred from liabilities on Here Networks balance sheet as of December 31, 2007 to members equity and recorded as a contribution to the company s equity.

Net Loss

As a result of the foregoing, Here Networks recorded net loss of $1.3 million for the nine months ended September 30, 2008 compared to a net loss of $10.0 million for the nine months ended September 30, 2007.

Results of Operations Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Here Networks consolidated results of operations are presented below for the years ended December 31, 2007 and 2006.

	Year Ended December 31, 2006 (Unaudited)	Year Ended December 31, 2007	Increase (Decrease) %
Revenue	1,120,824	1,716,963	53.2%
Subscription	1,319,185	768,759	(41.7)%
Transaction			
Other	11,238	15,329	36.4%
Total Revenue	2,451,246	2,501,051	2.0%
Expenses			
Cost of revenue	7,368,772	6,558,095	(11.0)%
Distribution and marketing	1,811,606	2,131,643	17.7%
General and administration expenses	5,576,110	4,862,414	(12.8)%
Total expenses	14,756,488	13,552,152	(8.2)%
Loss from operations	(12,305,242)	(11,051,101)	(10.2)%
Other income and expenses			
Interest	(982,950)	(1,692,231)	72.2%
Loss before taxes	(13,288,192)	(12,743,332)	(4.1)%
Taxes	(9,331)	(1,963)	(79.0)%
Net income/(loss)	(13,297,523)	(12,745,295)	(4.2)%

Revenue

Total revenue remained flat for the year ended December 31, 2007 compared to the year ended December 31, 2006, due to an increase of $0.6 million in subscription revenue as a result of the expansion of SVOD carriage, offset in part by a decrease of $0.6 million in transaction revenue due to a transition of network carriages from pay-per-view and VOD to SVOD. See Results of Operations Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2008 Revenue.

Cost of Revenue

Cost of revenue decreased 11.0% to $6.6 million for the year ended December 31, 2007 from $7.4 million for the year ended December 31, 2006 due to a decrease of 19.6% in content amortization expense to $4.3 million for the year ended December 31, 2007 from $5.3 million for the year ended December 31, 2006. The decrease in content amortization expense was attributable to the expiration in 2007 of various programming licenses and lower content replacement costs due to a reduction in the quantity of programming acquired as Here Networks adopted a less aggressive and more strategic approach to the acquisition of content.

This decrease was offset in part by an increase in costs relating to the re-branding of here! Network, including the adoption of its new logo, increased encoding and transport