

MySpace in talks to buy imeem

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(AP) -- Online social hub MySpace is in talks to acquire struggling free music streaming site imeem, two people familiar with the matter said Tuesday.

The people spoke on condition of anonymity because talks are confidential.

An announcement could be weeks away, and terms are still being negotiated, but MySpace is trying to revamp itself and its MySpace Music joint venture with the major recording companies.

An acquisition could bolster the unit of News Corp. by adding imeem's approximately 4.5 million users, its technology and its executives, including founder and CEO Dalton Caldwell.

MySpace recently bought music recommendation service iLike for \$20

million and gave the founding Partovi brothers new executive roles.

San Francisco-based imeem launched its advertising-supported free music business in 2007, but the company is having trouble making ends meet. Users create profiles and can recommend music to others or find out what they're listening to, similar to users of MySpace Music.

As a unit of media giant News Corp., MySpace would be better able to support any losses at the company stemming from royalties owed to recording companies than it could on its own. It's unclear what price MySpace would pay for the service, but one person said it was unlikely to be as much as MySpace paid for iLike.

In May, Warner Music Group Corp. wrote off its entire \$16 million investment in imeem and also forgave \$4 million it was owed by imeem in exchange for a small, minority equity stake. The company is majority owned by private equity firm Morgenthaler Ventures.

The music industry continues to experience falling sales of CDs, while digital revenues have not yet made up the difference, in part because consumers tend to buy singles rather than full albums when they do pay for music.

The potential acquisition suggests the difficulty that companies have had making a business that relies almost entirely on advertising.

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