

Justin Timberlake part of group buying MySpace

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Bass guitarist Cameron Schnittger, with the pop rock band Four O'clock Heroes, points to his picture on the bands' MySpace web site page in San Jose, Calif., Wednesday, June 29, 2011. News Corp. has sold struggling social networking site MySpace for \$35 million, mostly in stock, according to a person familiar with the matter. The deal values MySpace at a fraction of what News Corp. paid for the site six years ago. The sale to online advertising network operator Specific Media is expected to close later Wednesday. (AP Photo/Paul Sakuma)

(AP) -- Justin Timberlake apparently wasn't satisfied with just playing a social media impresario in the movies, so now he's becoming one in real life.

The pop star, who played [Napster](#) co-founder Sean Parker in "The Social Network," a movie about [Facebook](#), has joined Specific Media [in buying its downtrodden rival, MySpace](#), from News Corp. in a deal that closed

Wednesday.

Timberlake will have an office at MySpace's Beverly Hills headquarters and a staff of about a half dozen people working for him "around the clock" developing his ideas for the site, said Specific Media CEO Tim Vanderhook.

The partners are set to unveil their plans for reviving the flagging site in a couple of months.

"When we met with Justin and we discussed what our strategy was, we hit a chord with him," Vanderhook told The Associated Press. "One of his passions is he really enjoys helping other artists and creating a community for people to really express themselves. I think we were blown away that we were able to get someone like Justin to be so excited about what we were doing."

The deal is for \$35 million, mostly in Specific Media stock, according to a person familiar with the matter. That's a small fraction of the \$580 million that News Corp. paid for the site six years ago. The sale resulted in the layoff of about half of the site's remaining 500 workers, said the person, who was not authorized to speak publicly and spoke on condition of anonymity.

As part of the exchange, News Corp. received a [private equity](#) stake in Specific Media and less than a 5 percent stake in MySpace.

With Timberlake's help, the buyers hope to revitalize MySpace and transform it into a destination for original shows, as well as bolster its already available [video content](#) and music. Vanderhook said the revamp will include additional investment in technology and maintain the right to [stream music](#) through the [joint venture](#) it has with major recording companies, MySpace Music.

"There's a need for a place where fans can go to interact with their favorite entertainers, listen to music, watch videos, share and discover cool stuff and just connect," Timberlake, an Emmy and Grammy winning artist, said in a statement. "MySpace has the potential to be that place."

The sale closed a day before the end of News Corp.'s fiscal year, meaning it was able rid itself of about \$250 million in losses, estimated Barclays Capital analyst Anthony DiClemente.

Over the last 11 quarters, [News Corp.](#) had cumulatively lost about \$1.4 billion on the business segment that houses MySpace. It was a disastrous performance by a company that CEO Rupert Murdoch had predicted would reach \$1 billion in annual revenue. It never reached that goal.

Walking away from the site was "the right decision," said Standard & Poor's equity analyst Tuna Amobi. "It's something that they should put behind them and kind of move on."

MySpace CEO Mike Jones, the last member of a three-member executive team appointed to fix the site in April 2009, said in a memo to staff Wednesday that he would help with the transition for two months before departing.

MySpace launched in 2003, founded by entrepreneurs Chris DeWolfe and Tom Anderson, who is every MySpace user's first friend. It became a popular Internet destination and a key way for little-known musicians to market themselves and interact with their fans.

But MySpace lost its footing over the years as the fun of customizing one's profile began to bore its users and heavy use of banner advertisements slowed the speed at which pages load. Meanwhile, Facebook, founded in 2004, limited what users and advertisers could do,

but kept pages clean, and freshened them with its "news feed" of updates, a feature that MySpace later copied.

MySpace peaked with 76 million monthly U.S. visitors in October 2008. Advertisers and musicians who once relied on it for promotion fled the site for other hotter social networks like Facebook and, more recently, Twitter.

When Facebook a few years ago began allowing apps, including music functions and addictive games like "FarmVille," MySpace was left in the dust.

Less than half of MySpace's monthly visitors are now in the United States, where its visitor count dropped by half in May to 35 million, according to tracking firm comScore Inc. Facebook now has more than 700 million monthly visitors worldwide, it said.

"Apps were the breaking point and MySpace could never recover from that," said Charlene Li, a social media analyst and founder of Altimeter Group.

Rohit Kulkarni, an 18-year-old member of the San Jose, Calif. pop punk band Four O'Clock Heroes, said his group once exclusively used MySpace to reach fans with their music, but they haven't checked the site in months. They opened their Facebook band page last year.

"Most of our following was already on Facebook anyways," Kulkarni said. "Nowadays, people use Facebook over MySpace because it's integrated into almost everything, like all your mobile phones. I'm guessing that's why it became more popular."

Even "FarmVille" game-maker Zynga has taken a role promoting music, as shown recently when Lady Gaga unveiled her new album there.

Timberlake's involvement is a clear sign that MySpace will try to reconnect with its musical roots. Tim Vanderhook said that the acquisition is about returning [MySpace](#) "to what it was supposed to be."

Specific Media, based in Irvine, Calif., brokers the sale of ads to websites and has dabbled in creating original programming and matching it with sponsors. The company was founded in 1999 by brothers Tim, Chris and Russell Vanderhook.

At \$35 million, Specific Media gets an Internet property for a price that Altimeter's Li called "ridiculously low" and values each monthly U.S. visitor at about \$1 each. Its new owners should be able to recoup their investment if the company gets each user to click on about 20 ads over their lifetime, she said.

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