



Technology Briefing | Software: Alliance Will Acquire Liquid Audio

By Andrew Zipern (NYT) (Compiled by Gary Bradford)
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Liquid Audio, a company based in Redwood City, Calif., that makes software for online music distribution, said yesterday that it would be bought by the Alliance Entertainment Corporation, a home entertainment distributor, for about \$118.3 million in stock. Alliance distributes video games, compact discs, DVD's and videotapes. The companies hope that the deal will create a major media delivery company with both online and off-line impact. The move comes two weeks after Josh Schechter, a dissident Liquid Audio shareholder who owns a 9 percent stake, called on executives to sell the company after it reported a large drop in revenue. Liquid Audio's first-quarter revenue fell to \$135,000 from \$1.7 million a year earlier and \$768,000 in the fourth quarter. However, another shareholder, Musicmaker.com, which has a 6.9 percent stake in Liquid Audio, criticized the proposed merger in a letter to Gerald W. Kearby, Liquid Audio's chief executive. He described the deal as a "shotgun wedding." Still, Mr. Kearby said that "the combination with Alliance offers the most significant return of value to Liquid Audio stockholders." Shares in Liquid Audio ended the day down 26 cents, or 10.1 percent yesterday, to close at \$2.30.

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Graph tracks Liquid Audio's share price since last Thursday.

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