

Emerging Trends Within the Internet Economy

The rise of the Internet is altering the approach of traditional media companies to producing content. Media companies are increasingly developing content for highly targeted audiences to be delivered across multiple platforms including the Web.

This trend and a variety of others were recently the focus of a meeting of the Brain Trust Advisory Board of JEGI Capital, an affiliate of The Jordan, Edmiston Group. The meeting centered on the early-stage venture fund's media/e-commerce investment strategy. Some of the latest market trends discussed related to the convergence of Internet and traditional media business models:

Venture-backed companies are spurring organizational change among traditional media companies. Large, established businesses are spawning vigorous new in-house ventures to compete externally in the changed environment.

Public market corrections in Internet stocks have meant:

- An increased rationalization of private market valuations/terms;
- A demand by investors for sustainable business models with a clear path to profitability (P2P);
- A return by venture investors to the expectation of a more traditional three-to-five-year exit on investments; and

- A backlog in the IPO pipeline that is compelling new media businesses to focus on private equity and corporate sources for follow-on capital.

The form of content is changing. Text, audio and video information are increasingly being blended to create richer user experiences.

The multiplication and transformation of platforms is continuing. The advent of broadband and the spread of wireless Internet access will drive new Internet opportunities.

Internet publishers are continuing to seek new revenue sources. Many publishers are offering information on a tiered subscription basis to take advantage of differing levels of demand among users.

Advertisers are paying for targeted audiences. Advertisers are showing an

increasing willingness to pay premium rates for targeted information delivered to users in such new forms as e-mail newsletters.

More consumers are accessing the Internet but are spending less time online. The competition for customer attention online has made it imperative for content producers to meet the specific demands of their customers.

Consumer privacy is becoming an ever more important issue. Internet companies must grapple with the reluctance of consumers to cede privacy rights while they are online.

The horizon is bright for organizations focused on education. As bandwidth capabilities continue to improve for consumer and business users, the opportunities for organizations providing educational learning online will expand.

Inside This Issue

Emerging Trends: The Internet Economy	1
JEGI M&A Activity, 1997-2000	2
JEGI M&A Activity, 1997-2000	3
JEGI M&A Activity, 1997-2000	4
M&A in 2Q 2000 at Lower Levels	5
eLearning and Training M&A	6
Brain Trust Members Meet	6

JEGI Capital Brain Trust Advisory Board Meets



JEGI Capital LLC hosted its first Advisory Board meeting at the Four Seasons restaurant. (From left), Tom Crowley, Managing Partner of JEGI Capital, Lord Rothermere, Chairman, Daily Mail and General Trust, Wilma Jordan, CEO of The Jordan, Edmiston Group and JEGI Capital, Norman Pearlstine, Editor-in-Chief, Time Inc. (Guest Speaker), Kent Hawryluk, General Partner, JEGI Capital.

Which investment bank completed


BISYS
THE BISYS GROUP
 has sold
BEYS Research Services
 to
informa
 May 2000

CARDINAL BUSINESS MEDIA
 has sold
JV Magazine and DIME Show
 to
SHORE-VARRONE, INC.
 May 1997

ABC INC.
 has sold
Legal Communications Corporation
 to
DOLAN MEDIA COMPANY
 August 1997

TRIPLEPOINT, INC.
 has sold

Soccer Magazine
 to
SCHOLASTIC
 February 2000

COWLES MEDIA COMPANY
 has sold
Walking Magazine
 to
RD WALKING, INC.
 a subsidiary of

 March 1997

E-I-U
THE ECONOMIST INTELLIGENCE UNIT LIMITED
 has acquired

PYRAMID RESEARCH, INC.
 January 1997

ABC, INC.
 has sold
The Chilton Automotive Diagnostic and Repair Database
 to

 June 1997

DUSTY SPUR INVESTMENTS, LP
 has sold
COWBOYS INDIANS MAGAZINE
 to
DUSTY SPUR PUBLISHING, INC.
 April 2000

THE NEW YORK TIMES COMPANY
 has sold
Tennis, Selling World, Creating World and Snow Country Magazines
 to
MILLER SPORTS GROUP LLC
 November 1997

 **RODALE**
 has acquired
New Women Magazine
 from
PRIMEDIA MAGAZINES, INC.
 August 1997

 **REED ELSEVIER**
 has sold
Purniture Design & Manufacturing, Cabinetmaker and Upholstery Design & Manufacturing Magazines
 to
CHARTWELL
 February 1998

Pfingsten Publishing
 has acquired
Mortgage Originator Magazine and Conferences
 from
MORTGAGE PUBLISHING INC.
 March 2000

TRI
TELECOMMUNICATIONS REPORTS INTERNATIONAL, INC.
 has been sold
 to
CCH INCORPORATED
 a subsidiary of
WOLTERS KLUWER U.S.
 May 1999

COMMERCE PUBLISHING COMPANY
 has been sold
 to
Pfingsten Publishing
 April 1999

NO PG
NEW ORLEANS PUBLISHING GROUP
 has been sold
 to
DOLAN MEDIA, INC.
 April 1999

STRATEGIC BUSINESS COMMUNICATIONS, LLC
 has sold
Beverage World Group
 to

BILL COMMUNICATIONS, INC.
 February 1999


 has sold
Sports Afield Magazine
 to
SPORTS AFIELD ACQUISITION CORPORATION
 December 1999


 has sold
Connecticut Magazine
 to

 September 1999

MARINYA HOLDINGS, PTY, LTD.
 has sold
J.E. Frisfox and Michael Friedman Publishing Group
 to
BARNES & NOBLE BOOKSellers
 August 1999

GROUP XXVII COMMUNICATIONS LLC
 has sold
Arthur Frommer's Budget Travel Magazine
 to
Newsweek
 December 1999


 has sold
Home & Soul Magazine
 to
BLACK ENTERTAINMENT TELEVISION, INC.
 May 1998

SPORTS + FITNESS PUBLISHING COMPANY
 has sold
InLine, InLine Reader, InLine Hockey News, Box and Gentry Magazines
 to

PETERSEN
 April 1998

MEDIATER COMMUNICATIONS CORPORATION
 has sold
The Texas Monthly Group
 to

MEDIATER
 February 1998


 has sold
Quilter's Newsletter and Quilter's Magazines
 to
PRIMEDIA MAGAZINES
 September 1998

The Market Leader in Media M&A

the signature publishing and



has been sold

to

SABOT PUBLISHING, INC.

April 1999

womenCONNECT.com™

has entered into a strategic partnership

with



May 1999

Robocast Inc.

has sold an equity interest

to

WORLD COMMUNICATIONS SYSTEM

December 1998

QUICKFISH MEDIA, INC.

has sold

Seaside Weekly and
Seaside Week Newsweeklies

to

STERN PUBLISHING, INC.

May 1997

ABC, INC.

has sold

Chilton Professional
Automotive, Inc.

to

HEARST BUSINESS PUBLISHING

June 1997



BILL COMMUNICATIONS, INC.

has sold

The Automotive Group

to



April 2000



has sold

Visual C++
Developers Journal

to



September 1999



REFO ELSEVIER

has sold

Instrumentation &
Control Systems Magazine

to



February 1998

THE COBB GROUP
a division of



has sold

Full Throttle

to

ABACUS SOFTWARE, INC.

November 1997

COWLES MEDIA COMPANY

has sold

Weissmann Travel
Reports, Inc.

to



January 1997

MANHATTAN COOPERATOR
PUBLICATIONS, INC.

has been sold

to

YALE ROBBINS
PUBLICATIONS LLC

May 1999

CARDINAL BUSINESS MEDIA

has merged
with



a subsidiary of



November 1997

PRIMEDIA

INTERTEC CORPORATION

has sold

Health Management Technology
Magazine

to

Nelson Publishing, Inc.

November 1998

PRIMEDIA

INTERTEC CORPORATION

has sold

Adhesives Age
Magazine

to



November 1998

GEORGESON
INTERNATIONAL
has sold its leveraged finance division
of its wholly owned subsidiary

George son & Company Inc.

to



September 1998



Hearst Magazines

has sold

Motor Boating & Sailing
Magazine

to



January 2000

Country Sampler

has been sold

to



April 1999

LAUFER PUBLISHING
COMPANY

has sold

Top and BB
Magazines

to

PRIMEDIA

MAGAZINES

December 1998



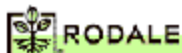
has sold

Senior Golfer
Magazine

to



October 1998



has sold

American Woodworker
Magazine, Shows and Books

to



October 1998

SPORTS + FITNESS
PUBLISHING COMPANY

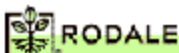
has sold

Women's Sports + Fitness
Magazine

to

CONDÉ NAST
PUBLICATIONS, INC.

February 1998



has sold

The Sewing and Quilting
Book Clubs

to

F&W PUBLICATIONS

September 1998

McMURRY PUBLISHING

has acquired

The SmartHealth Group

from

MEIGHER
COMMUNICATIONS LP

July 1998



Hearst Magazines

has acquired a 25% interest in

BIR NUMARA
YAYINLICI A.S.

for

\$16,000,000

June 1998

Achieving Maximum value for

exposition industry transactions?

BPI COMMUNICATIONS
has sold

Floor Sites & Parks Magazine

to
Cahners

March 1999

ZIFF-DAVIS PUBLISHING

has sold

Support on Site

to

MICRO HOUSE INTERNATIONAL, INC.

April 1998

Soft Drink

has sold

InterBev

to

REED EXHIBITION COMPANIES

October 1999

FLEET STREET PUBLISHING CORPORATION

has sold

EQUUS, Horseplay, Dressage Today and Team Up With Your Horse

to

PRIMEDIA MAGAZINES

June 1998

B

BILL COMMUNICATIONS, INC.

has sold

The KMWorld Group

to

Information Today, Inc.

December 1999

dmg | world media

has acquired

California Gift Shows

from

CGS ASSOCIATES, L.P.

June 1999

PEARSON

has sold

The Briefings Publishing Group

to

WICKS BUSINESS INFORMATION

July 1999

R

REED ELSEVIER

has sold

The U.S. SCAN-TECH Event

to

ADVANSTAR CORPORATION

May 1998

PRIMEDIA

MAGAZINES

has sold

Stagebill, Inc.

to

STAGEBILL

STAGEBILL ENTERPRISES LLC

December 1997

BT

has sold

Champion Productions

to

cygnus

October 1999

R

REED ELSEVIER

has sold

The Computer Group

to

Post-Newsweek

January 1998

THE NEW YORK TIMES COMPANY

has sold

The New York Times Custom Publishing Division

to

Forbes

September 1997

PLAZA COMMUNICATIONS, INC.

has sold

Registered Representative Magazine

to

PRIMEDIA

INTERTEC CORPORATION

September 1997

ASM

AMERICAN SHOW MANAGEMENT, INC.

has been sold

to

WARBURG PINCUS

April 1999

PROGRESSIVE GROCER

has been sold

to

B

BILL COMMUNICATIONS, INC.

September 1998

PEARSON

has sold

The GIS World Group

to

ADAMS BUSINESS MEDIA

March 1998

SAMPLER PUBLICATIONS, INC.

has sold

Romantic Homes Magazine

to

Y-VISIONARY PUBLISHING, LP

November 1997

The Economist

has sold

The Transax Division of Journal of Commerce, Inc.

to

D.X.L. INCORPORATED

December 1997

THE DARTNELL CORPORATION

has acquired

Selling Magazine

from

Institutional Investor

a division of **EUROMONEY PUBLICATIONS PLC**

November 1997

YOUNG-CONWAY PUBLICATIONS, INC.

has been sold

to

B

BILL COMMUNICATIONS, INC.

May 1998

dmg | world media

has acquired

from **SLURP EXPO**

AMC ORLANDO, INC.

June 1999

DOW JONES

has sold

Dow Jones Financial Publishing Corporation

to

WICKS BUSINESS INFORMATION

January 2000

CARDINAL BUSINESS MEDIA, INC.

has sold

Non-Foods Merchandising Magazine

to

ADAMS/HUNTER PUBLISHING, INC.

August 1997

CHILTON COMPANY
a subsidiary of **ABC, INC.**

has sold

Chilton Consumer Automotive Book Division

to

W.G. NICHOLS, INC.

June 1997

clients since 1988

THE JORDAN EDMISTON GROUP, INC.

M&A Activity in 2Q 2000 at Lower Levels

After setting a record in 1999 and starting off strong in 1Q 2000, M&A activity in the US magazine and exposition sectors cooled in 2Q 2000. According to data compiled by The Jordan, Edmiston Group, the aggregate value of 2Q deals in these sectors was \$923 million, which represents an 18% decrease from 2Q 1999. The total number of deals declined 31% from 39 to 27.

The number of announced US magazine publishing and exposition deals for the first half of 2000 declined from 99 in 1999 to 67 in 2000. However, the total value of these deals leaped from \$3.4 billion in 1999 to a record \$17.7 billion in 2000, due primarily to the AOL - Time Warner and Tribune Company - Times Mirror transactions. Meanwhile, the combined average value of deals in these sectors rose by 729% to \$280.5 million from an average of \$33.8 million through the 2Q of 1999.

Private-equity financial firms continue to be among the most active buyers of B2B print and exposition properties. Wicks Business Information, Frontenac, SCF Partners, Pfingsten Partners, Veronis Suhler and ABRY Partners have all completed acquisitions in the sector. JEGI expects financial or private equity buyers to continue to play a growing role in the consolidation of the B2B publishing and exposition sector. In 1999, buyout firms raised \$43.2 billion of private equity capital, according to *Buyouts*, an industry publication. JEGI now estimates there are more than 350 private equity buyout firms. More than 50 private equity buyout firms have indicated they are targeting B2B media companies for acquisitions.

With several high profile deals in the pipeline combined with strong demand from private equity firms, JEGI believes M&A activity in the B2B magazine publishing and exposition sector will reach 1999 deal activity levels in the second-half of this year.

Financial buyers, including Vulcan Ventures, Veronis Suhler, Willis Stein, Citicorp Venture Capital and Colonnade Capital, have recently

announced consumer publishing acquisitions or indicated their intent to make acquisitions in the consumer publishing arena. They are joined by several diversified international consumer publishers including Gruner + Jahr,

Mirror deals. Prices for consumer magazines grew at double-digit rates, as the average non-weighted EBITDA (earnings before interest, taxes, depreciation and amortization) trailing twelve months (ttm) multiple increased to 13.2x and the non-weighted average revenue ttm multiple rose to 2.7x.

Meanwhile, prices of B2B magazines and exposition media companies remained strong despite the fall-off in deal activity. Buyers continue to pay higher multiples for larger, market-leading properties with several revenue streams and solid growth prospects.

The average value of B2B trade publishing deals rose to \$21.6 million from \$14.7 million during the period. Average EBITDA and revenue ttm multiples were unchanged in 2000 at 8.2x and 2.7x respectively. Exposition and conference EBITDA and revenue ttm multiples approached 1999 levels at 10.8x and 3.4x respectively.

"The combination of higher interest rates, unsettled public markets and short-term uncertainty on the part of buyers has knocked some of the wind out of merger and acquisition activity in the B2B trade magazine and trade show sectors. We expect a strong showing in the second-half of this year as quality businesses continue to command attention from buyers at premium prices."

- Wilma H. Jordan, CEO, The Jordan, Edmiston Group, Inc.

EMAP, BBC and Hachette, which have also made acquisitions or announcements.

The average value of consumer publishing deals in the first half of 2000 increased to \$734.0 million from \$111.2 million, inflated by the AOL-Time Warner and Tribune-Times

Magazine Publishing and Exposition M&A Deals

	B2B Trade Magazines	Consumer Magazines*	Expositions/ Conferences	Total
No. of Mergers & Acquisitions				
Jan-June 2000	31	23	9	63
Jan-June 1999	53	19	27	99
% Diff.	-42%	21%	-67%	-36%
Aggregate Value of Mergers & Acquisitions (\$ Millions)				
Jan-June 2000	668.2	16,883.1	118.3	17,669.6
Jan-June 1999	779.7	2,112.5	457.3	3,349.5
% Diff.	-14%	699%	-74%	428%
Average Value of Mergers & Acquisitions (\$ Millions)				
Jan-June 2000	21.6	734.0	13.1	280.5
Jan-June 1999	14.7	111.2	16.9	33.8
% Diff.	47%	560%	-22%	729%

*Includes only the magazine publishing portions of the AOL-Time Warner and Tribune-Times Mirror transactions at the time of announcement. Average Revenue and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) multiples are non-weighted averages.

Sources: The Jordan, Edmiston Group, Company Reports

Training and eLearning Expansion Fuels M&A Activity

Spurred by innovative delivery systems, software and bandwidth developments, growth rates in eLearning and training are forecast to exceed e-commerce over the next five years, according to market researcher International Data Corp. (IDC). IDC estimates that the U.S. corporate eLearning and training marketplace will expand at an 83% compound annual growth rate and reach \$11.4 billion by 2003.

Consolidation in the eLearning and training market is being led by established media, educational and training companies. They are complementing their traditional businesses by acquiring and developing online companies.

Several independent training providers are also contributing to the consolidation trend

by aligning themselves with and acquiring leading technology and learning software application companies.

Thomson Learning (TL), a division of The Thomson Corporation, recently acquired Wave Technologies International, Inc., a company that develops, markets and delivers training and instructional products related to information technologies. Earlier this year, TL purchased Prometric, a computer-based testing and assessment services company.

The McGraw-Hill Companies, Inc. acquired Tribune Education and Xebec Multi Media Solutions, Ltd. Xebec's multimedia management and employee training courses and technology affords McGraw-Hill the capability to deliver interactive training programs for professionals over the Internet.

Harcourt, Inc., prior to putting itself up for sale in June, acquired Knowledge Communications, Inc. to strengthen its position in the rapidly growing market of technology-based training.

Emerging companies such as Frontline Group, Gilat Communications, Learn2.com, Provant and THINQ (originally TrainingNet) have been active in acquiring highly specialized technology companies, management software application providers and eLearning and training content providers. Many of these emerging companies are in the process of determining which business models and partners will enable them to capitalize on the promising long-term growth opportunities forecasted for the eLearning and training marketplace.

Select eLearning and Training Sector Deals - First Half of 2000

<i>Buyer</i>	<i>Seller</i>	<i>Description (Property)</i>	<i>Transaction Value (Millions)</i>
Gilat Communications	Allen Communications	Online training courseware and tools developer	\$23.0
Gilat Communications	LearnLinc	Live online (Internet) training provider	\$39.0
McGraw-Hill Companies	Tribune Company	Tribune Education Division	\$634.7
Provant	Resolution Software	Resolution Software	N/A
Provant	FPMI Communications	Technical assistance training for Federal Government	N/A
Thomson Learning	Prometric	Instructional products for IT applications	\$775.0
Thomson Learning	Wave Technologies	IT certification and eLearning company	\$45.0
Gilat Communications	Allen Communications	Online training courseware and tools developer	\$23.0

Brain Trust Members Meet With JEGI Portfolio Companies

NEW YORK - The first Brain Trust Advisory Board meeting of JEGI Capital was held recently at the Four Seasons restaurant.

Members examined the latest market trends related to the Internet and the convergence of Internet business models with traditional business models. Speakers included Norman Pearlstine, Editor-in-Chief, Time Inc., discussing the acquisition of Time Warner by America Online, and Strauss Zelnick, President & CEO, BMG Entertainment, speaking on the Convergence of Media & Commerce on the Internet.

The Advisory Board meeting also featured a

presentation from the Fund's first portfolio company, BowStreet.com. President and CEO Bob Crowley described the media-commerce company's business concept and relationship to media-commerce business models.

JEGI Capital's Advisory Board members are Tom Alberg, Managing Director and Co-founder of Madrona Venture Group LLC; Governor Lamar Alexander, Chairman of Simplexix.com and former Governor of Tennessee; Bruce Barnett, Director of several Internet companies and former CEO of Cahners Business Information; Jonathan Bulkeley, Non-Executive Chairman of QXL, Europe's leading electronic auction

business; and former CEO of barnesandnoble.com; Anne M. Busquet, President, American Express Relationship Services; Raul J. Fernandez, President & CEO, Proxicom; John A. McKinley Jr., Executive Vice President & Chief Technology Officer of Merrill Lynch & Co.; and Mark Walsh, President & CEO of VerticalNet.

JEGI Internet Economy Partners L.P. is an investment fund designed to make equity investments in early stage, e-commerce companies that have media-related technologies and business models. Its investors include global media companies, media CEOs and industry leaders.