

Matthews finds Primary worth a second try

Angela Mueller

Once just wasn't enough for Brian Matthews or his Internet team.

Matthews merged PrimaryClick.com and Hostirian -- companies headed by two of his former executives -- with his recreated Internet service provider, Primary Networks.

"Never in my wildest dreams did I think I would get back into providing Internet access," Matthews said, "especially not this quickly."

But get back in he did. In May, he repurchased the corporate Internet assets of Mpower Communications, which just a year ago paid \$145 million for Primary Networks. He declined to disclose terms of the repurchase deal.

Now Primary Networks, PrimaryClick and Hostirian are wholly owned subsidiaries of the newly created River City Internet Group.

PrimaryClick, founded last July, is an Internet advertising firm headed by Chief Executive Trey Goede. Hostirian, founded in January, is a Web hosting firm run by Richard Hercules. Both men were vice presidents of sales at the old Primary Networks.

Matthews will be chief executive of Primary Networks and of River City Internet Group. Goede and Hercules will retain their chief executive jobs at their respective subsidiaries, and both will serve on the River City board.

"It's fantastic," Goede said. "We're back doing what we love to do, and we're ready to go at it again."

Employee shareholders

The merger was a stock-for-stock transaction, with all non-founding shareholders in Primary Networks, PrimaryClick and Hostirian receiving shares in River City. Matthews said most of these shareholders are employees of the three companies.

The original founders of Primary Networks -- Brian and Carol Matthews, John Brison and Charlie Wiegert -- are the largest shareholders in River City Internet Group, followed by Goede, Hercules and Steve Szachta, vice president of Hostirian.

The Matthews' collection of companies can be a confusing alphabet soup to outsiders, but for the Matthews and other owners it has spelled success.

River City is owned by CDM Properties, CDM Fantasy Sports and CDM Ventures. Matthews founded CDM Fantasy Sports, a computer game company, in 1991. CDM Ventures is the company's investment arm and CDM Properties is the property management arm.

Matthews said annualized revenue for the three River City Internet Group companies is \$6 million -- \$4 million for Primary Networks and \$1 million each for Hostirian and PrimaryClick. The holding company will have about 40 employees, 12 at Hostirian,

seven at PrimaryClick and the rest at Primary Networks. No employees were laid off in the merger.

"We'll actually be adding a couple of employees (at Hostirian) as a result of the merger," Hercules said. "We picked up a significant number of new customers as a result of our alliance with Primary Networks."

Urge to merge

Matthews listed "multiple reasons" for merging the three companies: "One, we get a lot of efficiencies from a personnel standpoint as well the ability to do some network sharing." Also, the three subsidiaries can cross-sell Internet products to clients.

This merging of online service providers is not uncommon in the Internet industry, said Eddie Bannerman-Menson, a local independent e-commerce consultant, and it's a strategy that is usually attractive to potential clients.

"Most companies now want a one-stop shop offering many services," Bannerman-Menson said. "That way they don't have to manage multiple vendors. We're going to continue to see a lot of consolidation like this in the industry."

Matthews was a major investor in the founding of both PrimaryClick and Hostirian. "We had a quarter of a million dollars invested in each of them," Matthews said. "When I sold Primary Networks to Mpower last year, I knew there were two areas that we hadn't handled well at Primary -- Internet marketing and Web hosting -- so those were areas I wanted to invest in."

Both PrimaryClick's and Hostirian's offices are in the West Port building housing the CDM companies, and Mpower previously was on the first floor of the building, in space once occupied -- and now reoccupied -- by Primary Networks.

All Hostirian employees are former Primary Networks employees, and a majority of the recreated Primary Networks employees used to work there. Only one PrimaryClick employee had worked at Primary Network; the others were "brought in through the CDM side of the house," Goede said.

Primary Networks was founded in 1994 as a spin-off of CDM Fantasy Sports. The company was sold to Rochester, N.Y.-based Mpower Communications a year ago. In May, Primary executives bought back Mpower's corporate Internet access accounts, including more than 5,000 accounts in St. Louis and Kansas City. Access US, a St. Louis-based Internet service provider, is acquiring Mpower's consumer accounts.

amueller@bizjournals.com