

Bloomberg Private Equity's Love Affair With Cable

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RCN, one of two Lehigh Valley cable TV companies, has been sold to a private equity firm for the second time in six years, but the 10-figure blockbuster deal isn't expected to affect how subscribers watch their favorite shows anytime soon. TPG Capital, the global private equity fund of asset firm TPG, announced Monday it has entered into an agreement to acquire RCN Telecom Services LLC from Abry Partners for \$1.6 billion. In a separate transaction, TPG also announced it is acquiring Grande Communications Networks LLC from Abry for \$650 million.



TPG, headquartered in Fort Worth, Texas, and San Francisco, plans to combine the assets of the two companies to create a top-10 U.S. cable company and a "regional market-leading provider of next-generation, high-speed data to residential and business customers." Company officials said they do not anticipate any immediate

changes for customers or employees of RCN and Grande, which will continue to provide their current services.

"Our management and leadership team remain in place, so we do not contemplate any changes to the great experience our customers have come expect with RCN," Sanford Ames Jr., senior vice president and general manager of RCN Pennsylvania, said in a statement. This is the second time in a stretch of a little more than six years that RCN, a dot-com-age darling that emerged from bankruptcy in 2004, has been acquired by a private equity firm. In March 2010, **RCN announced a deal to sell itself to Abry Partners** for about \$1.2 billion in cash and assumed debt.

The cable and telecom industry remains in a period of rapid technological change, said independent industry analyst Jeff Kagan, with customers finding new ways to consume video content. There's still room for small and mid-sized providers such as RCN, but the future will be dominated by larger players such as Comcast and Charter. A private equity firm such as TPG Capital probably sees value in combining some of the smaller players, he said. "It's quite possible their plan is simply to acquire a number of companies, put together a more powerful, larger company than the small companies were on their own and sell it to one of the big companies," he said. "At this point, their chips are on the table. There are ways for these private equity firms to make money."

There appears to be little overlap between RCN and Grande, which both offer internet,

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[Harrisburg Patriot-News](#)

[Prosecutors say verdict exposes](#)

[Katheen](#)

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[team vows](#)

[appeals](#)

video and phone services to residential and business customers. While RCN's markets include the Lehigh Valley, Boston, Chicago, New York City, Philadelphia and Washington, D.C., Grande serves several areas in Texas, including Austin, Dallas and San Antonio. In addition, TPG is partnering with Patriot Media, which has managed RCN since 2010 and Grande since 2013. Patriot Media will continue to lead the business, company officials confirmed. TPG said Patriot Media will continue to make "significant investments" in the network and in technology to allow RCN and Grande to expand gigabit per-second high-speed data services.

As cable companies go, RCN, which was spun off from the former C-TEC Corp. in 1997, has always been a bit of a commodity, prone to changing hands, said Barry Orton, professor emeritus at the University of Wisconsin, and an expert on telecommunications policy. That's because RCN is an "overbuilder," he said. While most cable companies were created as a form of local monopoly, RCN's leadership decided to compete directly with incumbent providers, making it the second cable provider in most markets. The result is that it's less attractive to larger firms such as Comcast that want to dominate their markets, but appealing to a private equity firms that simply want to turn a profit.

"RCN had this theory they were going to do this all over the country, and they basically in my mind were always a company that was waiting for a buyer," Orton said. "In the cable industry, you don't make a lot of money operating the system, you make a lot of money by selling the system to the bigger fool." That doesn't mean RCN's new owners can ignore customer service, Kagan said. "Bottom line is even the investors who know nothing about the industry are still under the gun to keep good quality service," he said. "Whether or not they will be rapidly rolling out innovative services will depend on the competition they are fighting against." The downside is that in a market like the Lehigh Valley where big players such as Verizon Fios and Comcast are largely absent, customers will see less technological innovation, Kagan said.

Lehigh Valley cable customers are unlikely to see major changes until and if Service Electric, the Valley's other cable company, decides to sell, Orton said. Service Electric and RCN compete in a majority of the Lehigh Valley's municipalities. Jack Capparell, general manager of Service Electric, pointed to the company's long history in the Lehigh Valley to illustrate its plans. "We intend to remain here to compete and give the customers the best service for the best price," he said. "That's our goal, and we're going to continue to strive to meet that."

While other small cable providers sold out to big players such as Comcast years, even decades ago, Service Electric held out, making the Lehigh Valley a uniquely stable market for cable television. It's doubly unique because RCN provides competition that most parts of the country don't have.

"As long as Service Electric has held onto its market, held its prices down and kept its service up, you guys should be thankful," said Orton, who attended Lehigh University for his undergraduate degree and was customer of the company. TPG's acquisition of RCN and Grande is expected to close in the first quarter of 2017, subject to customary closing conditions, including regulatory approvals. – *Allentown Morning Call*

Attorney General Kathleen Kane was found guilty of all charges by a jury of 12 citizens she represented as Pennsylvania's top law enforcement officer. Kane leaned forward in her seat to hear the jury's verdict, but showed no outward emotion.

Prosecutors argued that Kane orchestrated a leak of secret grand jury materials and then lied about it in order to exact revenge against former prosecutors from the office [who she blamed for embarrassing news coverage](#). In addition to the two felony perjury charges, Kane faced two counts each of the misdemeanors of false swearing and obstructing the administration of law or other government functions. She also faced misdemeanor charges of criminal conspiracy related to obstruction, criminal conspiracy related to official

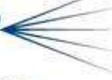
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Jurors heard four days of testimony from prosecution witnesses ranging from political consultant **Josh Morrow, who told the jury he conspired with Kane** to leak information from a 2009 grand jury investigation to a newspaper, to Adrian King, a former deputy attorney general and long-time friend of Kane **who told jurors that Kane tried to frame him.** The **defense rested Friday** without calling Kathleen Kane or any other witness to testify. They argued that the prosecution had not proven its case. Kane is the first Democrat and the first woman to be elected to the post of attorney general. – **Harrisburg Patriot-News; in philly.com, Gov. Wolf wants Kane to resign immediately**

Democrat Hillary Clinton is spending a second day in the Keystone State, with an appearance scheduled this morning at a voter-registration drive in West Philadelphia. The event comes a day after she and Vice President Joe Biden rallied supporters in Scranton, where both Democrats have personal ties. They both criticized Republican Donald Trump as unfit to be president and someone who has endangered U.S. troops through his volatile statements. Clinton will head to West Philadelphia High School this afternoon, where doors are scheduled to open at 11:15 a.m. ahead of the 1:15 p.m. event.

It's the latest signal of the attention that both candidates are showing to Pennsylvania, which has been viewed as a battleground state. Clinton and Trump had been close in public polls, but in recent surveys of state voters, Clinton has showed a growing lead here. That shift began as Clinton was receiving a bump from the Democratic National Convention and as Trump was coming under fire for his dispute with the Muslim-American parents of a soldier killed in Iraq after they criticized the Republican nominee in a convention speech.

Clinton spent the days immediately following Democratic convention, which was held in Philadelphia, on a bus tour across the commonwealth. She held public events in Harrisburg and Pittsburgh, and visited local manufacturers in Montgomery and Cambria counties. Trump held an event in Scranton during the Democratic convention. He also appeared in Cumberland County at the beginning of the month, and visited Erie and Altoona last week. – ***Allentown Morning Call***

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