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After spending the summer flirting with various suitors, Vice Media said Friday it is close to choosing a partner: A&E Networks.

A&E, which is owned by Hearst and Disney, is near a deal to invest \$250 million in Vice in exchange for a roughly 10 percent stake in the company. It would value Vice - which started 20 years ago as a free magazine in Montreal - at more than \$2.5 billion.

Known for its unruly sensibility and edgy news reports, Vice has established a powerful digital presence through its YouTube channels and websites.

The sizable investment from A&E would underscore its success in creating a brand that appeals to a new generation of consumers - in particular young men - who have proved to be an elusive demographic for mainstream media companies.

"We've been looking pretty much everywhere for different partners," said Vice CEO Shane Smith. "The biggest thing we were looking for was complete independence. Everybody wanted a majority stake or a big stake. We didn't want to give up a big stake."

In some ways, Vice, with its tattooed news correspondents, hand-held cameras and iconoclastic sensibility, would be a logical fit for A&E, which broadcasts offbeat shows including "Duck Dynasty," "Ice Road Truckers," "Swamp People" and "Pawn Stars," which focuses on Las Vegas pawnshop owners.

Most recently, Vice made news - and attracted millions of viewers - with a documentary series about the Islamic State. One of its correspondents got unusual access, embedding with the extremist group.

Such programming has helped bolster Vice's image as an insurgent news organization, although much of its business involves making videos paid for by large corporations.

The A&E investment, which was first reported by the Financial Times, could make it less dependent on companies like Intel and AT&T and allow it to create more of its own content. In particular, Smith has set his sights on traditional television. His company already produces a 30-minute weekly program for HBO - "News from the edge," is the tagline - but he'd like to eventually have a 24-hour Vice network.

Teaming up with A&E would give Vice access to an array of outlets for its programming. A&E operates a number of cable networks, including A&E, Lifetime and the History Channel. Down the road, A&E could potentially provide Vice with its own cable channel.

The investment would also give Vice an infusion of cash to develop shows for mobile, the Web and traditional TV, to move content among platforms, and to acquire new media assets.

"It's a war chest," Smith said.

A&E would not be the first traditional media company to invest in Vice. Last year, the company sold a 5 percent stake to 21st Century Fox for \$70 million.

Others had recently engaged in serious talks with Vice, which is based in a converted warehouse in Brooklyn. Most prominently, Time Warner discussed buying as much as 40 percent of the company, a deal that could have given Vice access to the cable

channel HLN.

But the negotiations stalled when the two companies were unable to agree on how much control Vice would have over HLN and, most significantly, how much Vice was worth. Time Warner put the company's value at a little more than \$1.5 billion; Vice insisted that its valuation was closer to \$2.5 billion.

A&E has apparently agreed. Although an enormous leap from where Vice was valued just last year, \$2.5 billion would remain a drop in the bucket compared with what some companies in Silicon Valley have been fetching lately.

Snapchat, with its popular disappearing-messaging app, is in talks to raise money at a \$10 billion valuation. And Pinterest, a burgeoning picture-based social network, raised \$200 million in May from investors who valued the service at \$5 billion.

By comparison, Vice hardly qualifies as a startup. Over the years, it has attracted a variety of high-profile backers. Tom Freston, a founder and former chief executive officer of MTV who went on to run Viacom, is one of Vice's investors and closest advisers.

It's unclear what the A&E deal would mean for Vice's HBO show. It broadcast the final episode of its second season earlier this year. In last year's finale, Vice caused a stir when it took basketball player Dennis Rodman and members of the Harlem Globetrotters to play in North Korea before Kim Jong Un, its leader. Vice has already committed to a third and fourth season.

For A&E's backers, Hearst and Disney, the Vice deal would represent just the latest foray into the booming digital media business. Disney recently acquired the YouTube video production network Maker Studios and held talks with the website BuzzFeed, although a deal never materialized. Hearst, best known for its magazines, has taken stakes in BuzzFeed and fashion and style website Refinery 29. - SFGate



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