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Johnson wheels and deals to fulfill ambitions for RLJ

By Danielle Douglas
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Anyone keeping track of Robert L. Johnson, chairman and chief executive of Bethesda-based RLJ Cos., probably noticed the batch of deals he has closed in the past four months: a couple of hotels, a few equity ventures. Before the ink could dry on any of those agreements, the billionaire businessman had several more in the works, including plans for a debt equity fund and another community bank.

Since selling Black Entertainment Television to Viacom in 2001 for \$3 billion, Johnson, 64, has made aggressive moves to turn RLJ into a full-fledged conglomerate. The Bethesda company, with roughly \$5 billion under management, owns or holds interests in 11 companies that have a hand in everything from automobile dealerships to insurance services.



Bethesda, MD. - NOV. 30, 2010: Robert Johnson, is currently chairman and founder of RLJ Development and former majority owner of the Charlotte Bobcats, a National Basketball Association franchise in his office in Bethesda, MD on Nov. 30, 2010 (Photo by Jeffrey MacMillan)
(Jeffrey Macmillan - Jeffrey Macmillan For Washington Post)

Johnson has an eye out for opportunities that can achieve what he calls "the double bottom line," creating value for investors while benefiting minority communities. His ultimate aim, however, is to grow RLJ into one of the largest African American-owned asset management firms.

Last week, Johnson took a step in that direction by filing an application with the Securities and Exchange Commission for a \$125 million public offering of shares of RLJ Acquisition, a newly formed special-purpose acquisition company. SPACs raise pools of capital from the public markets, typically with the intention of buying a company. Johnson declined to elaborate on plans for the entity while the petition is pending.

The move dovetails with RLJ's plans to apply for funding from the small business investment company program, or SBIC, in the new year. Administered by the Small Business Administration, the program allows investors to leverage their own capital with money borrowed from the federal government to make equity and debt investments in small businesses.

Upfront capital is needed for these kinds of ventures, and to that end Johnson has been building his reserves through a mix of strategic partnerships and moves to sell off some of his holdings. One of the more high-profile transactions involved the sale of his majority ownership in the National Basketball Association's Charlotte Bobcats to Michael Jordan in March. Johnson's decision to let the stake go for \$25 million less than the \$300 million he paid in 2002 led some observers to question whether he was hard pressed for capital.

"If you have an asset that is not performing as well as another, and you have an opportunity to put cash into something that is going to perform, that's the smartest thing any businessperson could do," Johnson said. The team, after all, had been hemorrhaging money for years.

Raising equity, Johnson said, has taken a little longer amid economic uncertainty. It is difficult to ascertain the financial standing of the private company. RLJ, however, has been quite active in the market. Selected as one of nine fund managers for the federal government's Public-Private Investment Fund Program to purchase troubled assets, RLJ, along with Western Asset Management, has raised \$610 million to date. And for one of Johnson's hotel funds, he was able to secure \$1.2 billion.

"If we go out and raise this [SBIC] debt fund, at a 2-to-1 match from the government, we'll be creating value for our investors, while providing access to debt capital to many companies who simply need to restructure their debt," said Johnson, who is partnering with a private equity investor out of New York to manage the fee-based business. "The demand for reasonable debt financing is very important to small businesses, very important to minority businesses."

Providing financial services to underserved groups has been one of Johnson's chief aims. Back in 2006, he acquired a black-owned savings and loan in Florida and relaunched it as Urban Trust Bank. Johnson sold his stake in the institution in October, shortly before filing for a bank charter in Delaware to start Access Bank.

Access's principal aim is to offer low-cost loans to combat payday lending, which is prevalent in low-income communities. These predatory schemes often charge triple-digit annualized interest and keep borrowers in perpetual debt. Aside from access to low-cost capital, Johnson will use incentives, such as lowering customers' APR, to encourage participation in the bank's financial literacy courses to promote wealth building. The charter is awaiting approval, as is the application for insurance from the Federal Deposit Insurance Corp.

"These are all good public policy initiatives that are also good business initiatives," Johnson said. "Let's look at things that are needed in our community and apply a business solution, not a social or government solution. And that's what we're trying to do."