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RLJ completes distribution acquisition

Company's purchase of Image Ent., Acorn Media creates new digital distrib

By Dave McNary

Robert L. Johnson's RLJ Acquisition has completed its acquisition of Image Entertainment and Acorn Media Group to create RLJ Entertainment as an independent global distributors of digital and video content.

Johnson, former chairman of BET, announced the deal in April. He told Variety that his goal is to replicate the success of Black Entertainment Television in reaching an under-served niche via the digital world with plans to start offering branded digital channels for urban audiences as early as the third quarter of next year.

"I'm confident that I can do it again," he said. "There's tremendous underemployment of African-American talent in Hollywood and a tremendous appetite for that content. The digital world offers unfettered opportunities because there are no gatekeepers."

Johnson, who sold BET to Viacom in 2003 for \$3 billion, operates the RLJ Companies with investments in a portfolio of businesses operating in hotel real estate investment; private equity; financial services; asset management; insurance services; automobile dealerships; sports and entertainment; and video lottery terminal gaming.

"RLJ Entertainment's goal is to become a preeminent distributor of content to all media platforms including DVD and Blu-Ray, digital downloads, digital streaming, and broadcast and cable," Johnson said. "We are also committed as part of our business strategy, to leveraging our experience in acquiring, distributing, and monetizing content to create branded digital subscription channels over the Internet targeted to distinct audiences that are underserved by current media platforms and interested in programming that appeals directly to their unique viewing interests."

Johnson said the new company could eventually expand into Hispanic and faith-based channels.

The announcement noted that RLJ Entertainment marks the third company Johnson has taken public -- Black Entertainment Television, which became the first African American company publicly traded on the New York

Stock Exchange in 1991; and RLJ Lodging Trust, a real estate investment trust with 144 hotels, co-founded by Johnson, which went public in May, 2011.

Shares of RLJ Entertainment common stock will be traded on the NASDAQ under the stock ticker symbol RLJE. RLJ Entertainment has entered into a \$70 million credit agreement with a group led by SunTrust.

The Image and Acorn brands will remain distinct with Image is strong in urban, independent film, comedy and horror with brands like BET on Jazz, Criterion Collection, HandMade Films, Lakeshore Entertainment, Slingshot Pictures, PS Classics and One Village Entertainment. Acorn has a strong hold on British drama and a majority of Agatha Christie's literary estate.

Image owns 3,700 exclusive DVD titles and approximately 350 exclusive CD titles in domestic release and more than 450 programs internationally via sublicense agreements. It also has exclusive audio and broadcast rights, as well as digital download rights to approximately 2,200 video programs and approximately 500 audio titles containing more than 6,000 individual tracks.

Under the deal, Image stockholders receive 2.14 million shares of RLJ Entertainment and holders of preferred stock get \$22.6 million in cash. Acorn Media shareholders would receive \$105 million in cash, 1 million shares of RLJ Entertainment and warrants to buy another million shares.

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