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Posted at 12:48 PM ET, 04/02/2012TheWashingtonPost

RLJ to acquire Silver Spring and California movie companies

By [Danielle Douglas](#)

A subsidiary of Bethesda-based RLJ Cos. has inked an agreement to roll up video distribution companies Image Entertainment and Acorn Media Group to create RLJ Entertainment, a new public company based in Los Angeles.



Robert Johnson, chairman and founder of RLJ Cos., in his Bethesda office. (Jeffrey MacMillan - Capital Business)

RLJ Entertainment, shares of which will trade on the Nasdaq exchange, will offer an extensive library of movies and other content for broadcast and digital streaming.

Acorn Media Group is known for its collection of British dramas. Just last month, the Silver Spring-based company purchased a 64 percent stake in the Agatha Christie literary estate, gaining nearly 40 television movies, 19 plays and more than 80 novels.

For its part, Image Entertainment in Chatsworth, Calif. has a library of more than 3,700 owned or licensed titles in comedy, horror and urban genres. The 25-year-old company's programming is available through such digital outlets as Netflix, Hulu and iTunes.

"This is a unique way to transform the way minority content can come to the marketplace," said Robert L. Johnson, chairman of RLJ Cos. and founder of Black Entertainment Television, in an interview. "With Image, we'll be in a position to say to minority producers and content creators that we can help you value what you produce by getting it distributed across all distribution platforms."

Under the agreement, common shareholders of Image Entertainment will receive 2.1 million shares of RLJ Entertainment, while preferred stockholders will get a total \$22.6 million paid in cash and in the form of promissory notes.

Meanwhile, shareholders of Acorn Media Group will receive \$105 million in cash, 1 million shares of common stock of RLJ Entertainment and warrants to purchase 1 million shares of common stock of the new entity.

Once both deals are completed, the current shareholders of Image Entertainment and Acorn Media will own roughly 11 percent and 5 percent of RLJ Entertainment, respectively. The merger, subject to shareholder and regulatory approval, are slated to close by the end of the second quarter.

“With my background in media, marketing and branding...it fits these two companies perfectly. That’s obviously my sales pitch to shareholders who want to invest in the new RLJ Entertainment company once we’ve completed the SEC process,” Johnson said.

Johnson will become chairman of RLJ Entertainment, while Peter Edwards, founder of Acorn Media, will serve as vice chairman. Ted Green, the head of Image Entertainment, will become chief executive of the new entity.

These acquisitions were made possible through RLJ Acquisition, a special purpose acquisition company formed in 2010. SPACs, as such entities are commonly known, raise pools of capital from the public markets, typically with the intention of buying a company. RLJ Acquisition raised \$143.7 million in its initial public offering that will all be dedicated to these deals.

“When you raise a SPAC, your investors look for you to buy a company that has a growth story, superior management, that you could bring to the market at a value that is attractive to the shareholders,” Johnson said. “These two companies fit those criteria to a tee.”

The investment also fits Johnson’s ultimate aim of growing RLJ Cos. into one of the largest African American-owned asset management firms. As it stands, the conglomerate has roughly \$2.4 billion under management and interests in 11 companies.

“What we do different from a pure asset manager, which accumulates cash and invest it in either fixed income or stock, is create companies,” Johnson said. “We’re not looking to be a huge hedge fund or fixed-income fund. We leverage capital to create businesses, and in many cases operate those businesses.”

Johnson said he is open to raising additional SPACs in the future.

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