

From BET to hotels to banking, Johnson keeps moving forward

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By Barbara Hagenbaugh and Sue Kirchoff, USA TODAY

BETHESDA, Md. BET founder Robert Louis Johnson is calling the next phase of his career his "second act." If it's anything like the first, it'll be worth tuning in.

Johnson, who became the nation's first African-American billionaire when he sold the BET media empire for \$3 billion to media giant Viacom in 2000, has made a number of big purchases in the past few years, seeking out areas of the economy that have largely been untapped by African-Americans.

He's now the biggest black hotelier in the country. He's started hedge and private equity funds to invest in businesses and to provide investment vehicles for pension funds and others.

And in 2002 he became the first African-American to wholly own a professional sports team when he bought the NBA franchise in Charlotte.

Johnson, who left BET in January and now owns RLJ Cos., announced last month that he is starting a bank. Urban Trust Bank will be geared mainly toward African-Americans and other minorities, providing mortgages, investment opportunities, student loans and other banking options.

Johnson, 60, the great-grandson of a freed slave, says his success has helped open doors for other minorities. Yet he makes no apologies that his main focus is building the bottom line.

"I'm in business to make money," says Johnson in a wide-ranging interview in his new offices in this Washington, D.C., suburb. "You can do well and do good. But at first, you have to focus on the blocking and tackling of running a good business."

That attitude has made Johnson an overwhelming business success. When he took BET public, it was the first black-owned company on the New York Stock Exchange.

But his stance has frustrated and angered some African-Americans, such as Raleigh, N.C., News & Observer newspaper columnist Barry Saunders, who say Johnson flourished by selling low-cost programming that focused on sex and violence rather than quality shows that explored more enriching areas of black culture. "His history of exploiting African-Americans means he is going to have to prove himself," Saunders says.

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Johnson, who goes by Bob, says he never started BET to be anything more than a money-making entertainment channel. "I never really embraced that notion that BET was an heirloom that belonged to the greater black society," Johnson says. "BET was a business that had a great impact on African-American society, but it didn't belong to it. And so, my thing is that we want to contribute, we want to add value. But we have to operate according to the philosophy that you have to exist in a world where business decisions have to be made based on business, not on political notions or social agendas."

Says friend and Essence magazine founder Edward Lewis: "He's living the absolute American dream. ... He's a quintessential American who happens to be black."

As visitors walk in, Johnson is fumbling with the TV remote that controls the three flat-panel TVs in his earth-tone office. He finally finds what he is looking for: a spring-training baseball game between the Atlanta Braves and the St. Louis Cardinals. The other TVs are tuned to NBC and CNBC.

Johnson, dressed in a black suit with white pinstripes and wearing a black-and-white checked tie, casually sits on a leather couch in his office that is so new the carpet still has that straight-from-the-factory smell. Pictures of his two children, Paige and Brett, adorn his clutter-free desk that has a nameplate from the Charlotte Bobcats reading "Bob Johnson."

Modest origins

The nameplate seems a bit out of place. After all, there's no question that Johnson, although somewhat unassuming, doesn't need to identify himself here. This is, after all, his empire.

That's a far cry from Johnson's modest upbringing.

Johnson was born in Hickory, Miss., the ninth of 10 children to Edna and Archie. His family soon moved to Freeport, Ill., where Johnson grew up and his dad worked at the local battery factory. It was in Illinois where he had his first job, delivering the Rockford Morning Star when he was 10 or 11 years old.

"I failed miserably," Johnson says. "I couldn't get up in the morning. Still can't."

Johnson says growing up in such a large family taught him a key lesson early on.

"I knew that if we had a box of cookies in the house, you made sure you got yours fast," he says, laughing. "What it did is it made you make decisions quick. ... If you talk to anyone from a large family, the tendency is you want to chart your own course, because otherwise how would you get recognized?"

Johnson became the first member of his family to go to college, graduating from the University of Illinois with a degree in social studies in 1968. In 1972, he received a master's from Princeton University's Woodrow Wilson School of Public and International Affairs.

He soon moved to Washington, D.C., and after a stint on Capitol Hill, he became a lobbyist for the National Cable Television Association, since renamed the National Cable & Telecommunications Association. After

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accompanying a businessman with an idea to start a channel devoted to the elderly, Johnson came up with his own plan to start a channel geared toward African-Americans.

He had \$15,000, but needed \$500,000 more. He turned to John Malone, then with Tele-Communications Inc. cable company and now chairman of Liberty Media. Malone agreed to a part-loan, part-equity deal, giving Johnson the money he needed to start BET.

"The concept was a good concept," Malone says. "We rapidly saw that Bob ... was trustworthy, (financially) conservative, not in it for a quick buck."

BET, originally Black Entertainment Television, hit the airwaves in 1980, at first just a few hours a day. After struggling for several years, BET began to focus primarily on showing music videos gladly given to BET from the music labels to promote their artists. BET quickly became a hit. About 364,000 households watch BET every day, according to Nielsen Media Research.

'E' for entertainment

Johnson expanded the brand to include magazines, radio, books and a variety of TV channels, and eventually took the company public. But even after all the wealth and prestige, Johnson faced racism. Malone says he once saw Johnson mistaken for a chauffeur at a meeting of cable executives.

"There is an inherent lack of belief or lack of trust ... and he had to overcome that," Malone said.

Johnson's critics dogged him.

BET was criticized for concentrating on music videos that were too violent and sexual. Comedians protested that Johnson paid below-market rates to those who appeared on his channel.

In a 2002 piece that has been widely quoted since, Saunders, the Raleigh News & Observer columnist, compared BET programming to crack cocaine. "He has to do a whole lot to make up for what he did with BET," Saunders says. "There is a whole lot about Bob Johnson to admire: his persistence and his ambition and what he's accomplished. But the way he accomplished it, going for the cheap goods, that is always going to taint his image."

Such criticism did not deter Johnson, who points out that the "E" in BET stands for entertainment.

Ed Gordon, who was an anchor at BET and hosted BET Tonight, says he sometimes clashed with Johnson about content but says Johnson was often held to a higher standard than someone who was white. And he says Johnson made some good moves he doesn't get credit for, such as covering the Million Man March live in October 1995 despite the risk of getting heat from advertisers for breaking away from the typical entertainment programming.

"Bob Johnson doesn't come out of his BET era unscathed," says Gordon, who is now a host on NPR. "Did he make mistakes? Absolutely. Could he have done perhaps a better job with programming? Definitely. But is he an American icon, business leader, hero? Absolutely."

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New business ventures

In 2000, Johnson sold BET for \$3 billion to Viacom, the biggest deal to involve a black-owned company.

"It was bittersweet," says Jim Winston, executive director of the National Association of Black Owned Broadcasters. He says that although blacks were proud that Johnson's company commanded such a huge price tag, they were disappointed to see it sold to a white-owned company.

While he stayed at BET until January, Johnson was rapidly getting involved in a variety of other businesses. Even though Johnson defends BET by saying financial decisions should be divorced from social concerns, his new business ventures are based, in part, on convincing universities, state pension funds and others that they need to be racially inclusive.

"State pension funds get their money from teachers, firemen, policemen; many of those people are African-American. And those same African-Americans have worked their way, have sent their sons and daughters to Harvard, Yale, Princeton, Wharton," says Johnson.

With a money-management team that includes many of these smart black professionals, Johnson has a simple question for institutions with large portfolios to manage: "How can you tell them they can't do it?"

At the same time Johnson was making changes in his professional life, he experienced turmoil in his personal life, with a divorce from his wife, Sheila Johnson, whom he met in college. The two were married for more than 30 years.

She has used the large settlement from the divorce to start her own business ventures, including a proposed hotel and spa near her home in Virginia horse country. She has also started a charitable foundation and is part-owner of the Washington Mystics women's professional basketball team.

Building a sports franchise

Robert Johnson's foray into professional sports is a work in progress. The Charlotte Bobcats, hit by a rash of injuries this season, have one of the worst records in the NBA this year. In an effort to boost attendance, Johnson has announced that he will reduce many season ticket prices for the 2006-07 season. RLJ officials call the moves normal growing pains of any new franchise, particularly one in a new arena with no pricing history.

Johnson also may be battling public skepticism, given that the previous owner of the Charlotte franchise moved the team to New Orleans despite high attendance.

"He went into a place with a more of a 'wait-and-see attitude' than he might have met in a city without an NBA history," says NBA Commissioner David Stern, calling Johnson a great owner who understands the community, entertainment and product branding.

Johnson, while not offering a financial forecast, predicts that the Bobcats will be a playoff contender within a couple of years and says the team provides a host of intangible benefits" including keeping his name recognition high. In the end, he's not worried about profitability.

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"No one has ever lost money on an NBA franchise, and I don't think anybody ever will. There are only 30 of them, and there will always be a greater fool out there looking to buy," Johnson says.

In his latest move, Johnson last month announced he was buying controlling interest in a tiny Florida savings and loan. Metro Bank FSB lost money last year, but it is attractive given its Florida location and national charter, allowing for expansion. Johnson renamed it Urban Trust Bank, will keep the Orlando location and open a branch in downtown Washington by fall.

Some analysts see long-term potential. Assets at minority-owned banks rose 14% in 2004, compared with 11% for all federally insured lenders, according to Creative Investment Research, a Minneapolis-based firm. But the expansion in minority banking was driven largely by growth at Hispanic banks. African-American income and asset growth has been stagnant, according to Federal Reserve data.

"This is Bob Johnson. It's not like this guy doesn't have a track record of excellent strategy in ethnic submarkets. You've got to respect that," says William Cunningham, CEO of Creative Investment Research.

While the bank is focused on minorities, Johnson plans to market to a broad cross-section of urban dwellers. "Urban used to be a code word for black. It's no longer a code word for black. Urban now means people who want to have an urban lifestyle," Johnson says.

But Johnson and Dwight Bush, CEO of Urban Trust, say they're particularly interested in helping increase the minority homeownership rate, which lags severely behind that of whites. They plan products from market rate to higher-cost, so-called subprime, loans to individuals with poor or no credit. Bush said the bank also plans to use alternative indicators of credit, aside from credit bureau scores, such as history of paying rent or utility bills, to cover more people. There have been discussions about branches at Wal-Mart or other stores and student loans.

Frank Hanna Jr., a millionaire businessman from Atlanta who had owned Metro Bank since 2003, has a share of the new bank, probably about 30%, Hanna says. Hanna says he will also sit on the board of the bank's holding company.

Hanna and Johnson, who met through mutual friends, had been talking for several years about a joint project, including a possible venture-capital firm. After Johnson's efforts to buy a separate minority-owned bank failed, Hanna suggested the Metro Bank deal.

"That's when we decided it would be a good idea to be partners," says Hanna, who says he is impressed with Johnson's "integrity and vision."

Hanna, who founded the debt-collection agency Nationwide Credit, now runs his own investment firm and is acquisitions director for Paladin Capital, a venture-capital fund set up shortly after the Sept. 11 attacks to invest in homeland-security-related companies.

Why not?

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Those who know Johnson say they are not surprised he has chosen to continue to expand his fortune rather than take his money and fade away.

"That's Bob," says Winston of the National Association of Black Owned Broadcasters, who has known Johnson since his days as a lobbyist and says he should be admired for training talented African-Americans in business.

"He's always been looking for the next big deal," he says. "And I suspect he always will be."

Says Johnson: "The imperative is almost why not? It's not why should you do it, it is that it's there. It's probably the same thing that motivates people to climb high mountains or to try to break the world's record in a balloon. It's there, I think I can do it, why not?"

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