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**TRANSITIONAL INVESTORS LLC**

150 California Street, Suite 1100  
San Francisco, CA 94111

December 30, 2004

Mr. Michael J. Jackson  
C/O Mr. Don Stabler  
Stabler & Associates  
15250 Ventura Blvd., Suite 720  
Sherman Oaks, Ca. 91403

Re: Refinance existing senior indebtedness of the Michael Jackson Trust as well as fund exercise of option to purchase the 50% of Sony / ATV (the "Company"), currently owned by Sony Corporation

Dear Mr. Jackson:

Transitional Investors, LLC ("TI") and River Capital Funding, Inc. ("RCF") are pleased to submit this non-binding Letter of Intent ("LOI"), to provide senior and subordinated debt and equity financing in support of the Michael Jackson Trust's ("MJT") refinancing of its' existing debt and exercise of its option to acquire the fifty percent (50%) of Sony/ATV which it does not currently own (the "Financing") from Sony Music Enterprises ("SME") and Sony Music Enterprises, Japan ("SMEJ") (collectively the "Sellers"). RCF is a related investment entity of TI.

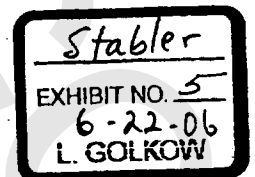
Transitional Investors, LLC is a private investment firm based in San Francisco, CA. Transitional Investors and has a wealth of experience in asset acquisitions. TI is primarily focused on the acquisition and management of long lived assets with contractual or highly predictable, recurring cash flows. TI has the full support of several financial institutions in its acquisitions.

**1. The Financing**

TI currently contemplates that a new, bankruptcy remote, special purpose entity (the "SPE") shall be formed to hold the entire Sony/ATV music library upon consummation of the Financing. TI contemplates the following loans and investments to the SPE. MJT shall be the sole 100% owner of all interest in SPE subject to any conversion of preferred stock contemplated herein.

- a) **The Senior Secured Credit Facility.** TI Contemplates arranging a *Four Hundred and Twenty Million Dollars (\$420,000,000)* Senior Secured Credit Facility to be secured by the entire Sony/ATV music library and all other assets of

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Sony/ATV (the "Assets"). To the extent that additional collateral is required to support this transaction, after the valuation of the MJ assets, the parties will discuss, negotiate and determine what additional collateral may be required and the length of time of such additional collateral.

- b) The 15% Subordinated Notes: TI contemplates providing, *Eighty Million Dollars (\$80,000,000)* of Subordinated Notes to the SPE. The Subordinated Notes shall pay 10% currently (paid quarterly in arrears).
- c) Redeemable Convertible Preferred Stock: TI further contemplates providing *Thirty Seven Million Five Hundred Thousand Dollars (\$37,500,000)* in Preferred Stock to the SPE. The Preferred Stock shall be convertible into 10% of, or the equivalent value of, the Common Stock of the SPE. MJT shall have the sole discretion and authority to accept the conversion of the TI Preferred Stock or redeem it at a value as if converted, provided that its valuation shall be valued at 10% of the "as if" converted value of the equity in Sony/ATV.

The SPE shall use the proceeds to disburse about *Two Hundred and Seventy Two Million Five Hundred thousand Dollars (\$272,500,000)* to the MJT and *Two Hundred Million Dollars (\$200,000,000)* to the Sellers, and to pay fees and expenses associated with the Financing as well as to make a direct distribution of *Twenty Million Dollars (\$20,000,000)* to Mr. Michael Jackson. The Sellers and the MJT shall deliver the Assets to the SPE free and unencumbered.

Transaction Sources and Uses (\$millions)

Use of Proceeds:

Refinance existing debt of MJT	272.5
Exercise option to purchase 50% of Sony/ATV	200.0
Distribution to Mr. Michael Jackson	20.0
Fees, Expenses and Working Capital	45.0
	537.5

Sources of Financing:

Senior Secured Credit Facility	420.0
Subordinated Notes	80.0
Preferred Stock	37.5
	537.5

2. Timing and Conditions

Our Proposal is conditioned upon satisfactory completion of legal, accounting, and systems and reporting due diligence, receiving all required regulatory approvals, if any, entering into definitive documentation satisfactory to TI, the MJT and Sellers, and other customary conditions. TI is prepared to commence detailed negotiations immediately and we are confident we can complete the Financing within thirty (30) to ninety (90) days from the date of execution of this LOL.

In consideration of the time, expense and other resources we are prepared to invest in connection with evaluating and negotiating the proposed Financing, MJT agrees that for a period of (90) days from the date of execution of this letter by all parties, MJT will (nor will they direct, authorize, encourage or permit any of the MJT's or Seller's directors, stockholders, agents, employees, consultants, representatives or affiliates to), directly or indirectly, take any of the following actions with any party other than TI or its designees: (a) solicit, initiate, entertain, or encourage any proposals or offers from, or conduct discussions with or engage in negotiations with, any person or entity relating to any possible acquisition of any Sony/ATV assets (whether by way of merger, purchase of capital stock, purchase of assets or otherwise), any portion of the Sony/ATV assets (other than minimal in the ordinary course of business) or any equity interest in Sony/ATV (other than upon exercise of options or warrants currently outstanding) (any of the foregoing a "Competing Transaction"), (b) provide information with respect to Sony/ATV to any person or entity, other than TI or its designees, relating to, or otherwise cooperate with, facilitate or encourage any effort or attempt by any such person or entity with regard to, any possible Competing Transaction, or (d) make or authorize any statement, recommendation or solicitation in support of any possible Competing Transaction.

### 3. Material Assumptions

TI has made the following assumptions with respect to the Proposal set forth herein: (i) The portfolio characteristics are consistent with industry standards and accordingly the expected ongoing future revenues, royalty and management expenses shall be consistent with other portfolios of this type, (ii) there exist no material accounts receivables aging, credit concentrations or defaults of any nature with customers with whom Seller has assets under leases, and (iv) all of the Assets will be free and clear of all liens, claims and encumbrances following the Acquisition (excluding industry standard permitted liens); (v) the condition of the Assets is satisfactory to TI; (vi) the estimated sustainable EBITDA of Sony/ATV after the Financing and after the replacement of Sony as the manager of Sony/ATV, is about Eighty Million Dollars (\$80,000,000); and (vii) the estimated appraised value of the Sony/ATV music library is about *One Billion Dollars (\$1,000,000,000)*.

### 4. Due Diligence

In consideration for TI undertaking the investment in time and resources to complete the Financing contemplated herein, MJT agrees to pay all reasonable direct costs and expenses

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required to complete this transaction, including, but not limited to, legal fees, accounting and auditing fees, appraisal fees, preparation of PPM, forensic analysis, due diligence, syndication and related costs and expenses. MJT shall pay these costs and expenses upon the completion of the services and the presentation of all reasonable invoices from TI, its contractors, vendors and professionals enlisted to assist them in providing the required financing set forth herein. To the extent that TI requires, MJT will open an escrow account ("Escrow Account") for the payment of fees and expenses, with a minimum initial amount of One Hundred Thousand Dollars (\$100,000) upon the execution of this agreement and based upon TI's commencement of its services required hereof, for the payment of direct costs and expenses. In addition to the payment of direct expenses on an "as completed basis" (upon invoicing by TI or its' designees), the Escrow Account shall be used for retainers paid to service providers in the normal course for initiation of the work described above ("Retainers").

MJT shall provide TI and its financing sources, accountants, attorneys and other agents and representatives (collectively, the "Representatives") with prompt and reasonable access to Seller's documents, facilities, employees, representatives, databases, processes, and files for the purposes of conducting due diligence, and MJT shall make a reasonable effort to provide TI access to Sony/ATV's customers, vendors and service providers, required for this purpose. TI's due diligence will include the following: (i) confirmation of its material assumptions; (ii) confirmation of all information provided by MJT and Sony/ATV, Seller's or their representatives; (iii) conversations and interviews with employees and management of Sony/ATV and Sellers, and customers on a selective basis, as approved and directed by MJT; (iv) review of legal documentation, (v) examination of Sony/ATV's back-office, processes, reporting, systems and infrastructure, if allowed by Sony/ATV and as may be approved and directed by MJT; (vii) valuation of the Sony/ATV music library; and (viii) anything else deemed reasonably necessary by TI for TI to confirm the Assets.

#### 5. Transition Period

Our Proposal is conditioned upon Sellers agreeing to provide MJT with certain mutually agreed upon support services during a transition period, if required and agreed to by Sellers and MJT, not to exceed six (6) months. Compensation for Seller shall be incorporated within the purchase price for the Seller's ownership interest.

#### 6. Break-Up Fee Initial Break-up Fee

In the event that TI and its financing partners provides MJT with a Commitment Letter of financing that will provide MJT the Five Hundred and Thirty Seven Million Five Hundred Thousand Dollars (\$537,500,000) subject to specified deliverables required under this agreement within thirty (30) to ninety (90) days of this LOI, which is verifiable by MJT, and MJT chooses

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537,500,000  
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48,375,000,000

to cancel or withdraw from this financing, MJT shall pay to TI a break-up fee as liquidated damages in the amount of *Three Million Dollars (\$3,000,000)*.

**Breakup fee in the event Sony ATV Assets are sold by MJT**

After TI has provided its Commitment Letter to MJT to provide the financing contemplated by this agreement and are working to complete all necessary closing conditions, and MJT chooses alternative financing or sale arrangements, including selling its MJT interest in Sony ATV to Sony or any other affiliated or unaffiliated Third Party, with respect to the purchase, or sale of the MJT interest or Sony interest in Sony ATV or the restructuring of the Sony ATV Operating Agreement to the effect that MJT will not purchase the interest of Sony ATV or will in-fact sell its MJT interest in Sony ATV to Sony, except for the dissolution or unwinding of Sony ATV, MJT shall pay to TI a total break-up fee as liquidated damages of nine percent 9% of the entire transaction value contemplated. This break-up fee will be payable at the closing of any alternative financing or sale. This provision will remain in effect 360 days after the expiration or the termination by MJT of this agreement.

**7. Termination**

MJT may terminate this agreement in writing and without cause, by giving fifteen (15) days notice to TI, and subject to Section 6. . To the extent that TI fails to perform its obligations under this agreement within the time period specified above, MJT may terminate this agreement notwithstanding the status of any pending financing.

**8. Confidentiality**

TI hereby understands and agrees that MJT, its business relations, records, documents, financial conditions and all related information obtained under this agreement are private, privileged, proprietary and confidential and TI, its agents, employees, representatives and professionals shall maintain, at all times, the complete, full and unfettered confidentiality of MJT's business and information and shall not disclose any such information to any third party who is not apart of this transaction. TI further understands and agrees that it shall not, at any time, conduct any interviews, provide information, documents or any other related transactions about MJT to any news media of any kind or nature for a period of ten (10) years from the date of this agreement, without the expressed written consent of an authorized representative of MJT.

**9. Contact Information**

Please direct all communications with regard to our Proposal to:

Darlen Dash, Managing Director  
Prescient AG

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433 Park Ave 2<sup>nd</sup> Floor  
NY, NY 10016

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**9. Validity of this Agreement**

Other than Sections 1, 4, 6, 7 and 8, this LOI is not intended to constitute a binding and enforceable contract of the parties and may be withdrawn or terminated for any or no reason upon written notice of any party to this LOI. The terms of this LOI are proprietary and may not be shared with any third parties other than financial, accounting and legal advisors, representatives, banking institutions, trust and others assisting MJT or the Sellers with respect to the proposed Financing.

We are enthusiastic about the prospect of providing the Financing to MJT. We look forward to receiving your response and to working with you throughout the remainder of the due diligence process. Please feel free to contact us with any questions or comments.

Very Truly Yours,

**TRANSITIONAL INVESTORS, LLC**

By: \_\_\_\_\_  
Stuart Shelly  
Managing Director

Understood and agreed to on this  
30th day of December, 2004

**MICHAEL J. JACKSON**  
MJT Trust

By: \_\_\_\_\_  
Michael J. Jackson  
Authorized Representative MJT Trust

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9. Validity of this Agreement

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We are enthusiastic about the prospect of providing the Financing to MIT. We look forward to receiving your response and to working with you throughout the remainder of the due diligence process. Please feel free to contact us with any questions or comments.

Very Truly Yours,

TRANSITIONAL INVESTORS, LLC

By:

Stuart Rbelly  
Managing Director

Understood and agreed to on this  
24<sup>th</sup> day of January, 2005

MICHAEL J. JACKSON  
MIT Trust

By:

Michael J. Jackson  
Authorized Representative MIT Trust