

© B — Mergo

TRANSITIONAL INVESTORS LLC

150 California Street, Suite 1100
San Francisco, CA 94111

INITIAL CLIENT MEMORANDUM

To: Investment Committee Members	Date: March 20, 2005
From: Stuart Shelly & John Cox	CC: Jesse Crews
Re: Project Tone - Michael Jackson & Sony/ATV Music	

Opportunity Overview:

DB has the opportunity to make a \$90mm stretch senior loan to a special-purpose bankruptcy remote trust established to hold the music library known as MIJAC and the property known as Neverland (the "MJ Publishing Trust", the "MJPT") (an "Investment"). In consideration for having made the Investment, Michael Jackson would also grant to DB an option to acquire 51% of his beneficial interest in MJ/ATV Publishing Trust ("MJ/ATV") at an effective enterprise value of \$600mm (\$204mm in cash and \$102mm in pro-rata share of assumed debt). MJ/ATV is the entity which owns a 50% membership interest in Sony/ATV, the music catalog business operated by Sony which controls over 25,000 titles including: Beatles, Elvis, Willie Nelson, Ray Charles and others. TI currently has an exclusive mandate to refinance both MJ/ATV and MJPT and to provide financing to acquire the other 50% of Sony/ATV which MJ/ATV does not own.

Background:

MIJAC represents the entire personal music library of Michael Jackson, other than a small number of titles he produced through Sony Music. MIJAC generates about \$7mm in Net Publisher Royalties ("NPR"), and has an estimated value of about \$100mm (@ 14x). The proposal contemplates a 90% advance against the music catalog assets. In addition, for the benefit of DB as lender and investor, Neverland shall be pledged to MJPT. Neverland has an estimated value of in excess of \$25mm (indeed there was a recent offer for in excess of \$50mm). Total advance to total collateral is about 70%.

Sony/ATV, LLC was formed in 1998 through the contribution of Michael Jackson's third party music library (Beatles, etc), formerly ATV, and Sony's music library. At the time of contribution it was determined that Michael Jackson's assets were worth \$100mm more than those contributed by Sony. Sony paid Michael Jackson \$100mm to effectively establish parity between contributed assets, thereby giving each member in the LLC a divisible interest in the entire library. Sony/ATV generates over \$360mm in Royalties annually and about \$110mm in Gross Publishers Royalties before administration costs. Administration costs are normally about 4.5 - 5% of Royalties. Sony as administrator, however charges significantly higher rates. It is believed that in an arms length administration state, Sony/ATV would generate about \$90mm in EBITDA.

To create value in the MJ/ATV asset we would be required to either:

- 1 Acquire Sony's interests,
- 2 Remove Sony as manager and replace them with an arms length administrator (at 4.5%),
- 3 Sell the MJ/ATV at market, or
- 4 Disband the LLC and retain the MJ/ATV divisible interest in Sony/ATV.

Sony/ATV was appraised in 1999 at \$930mm. Since then, Sony/ATV has incurred about \$200mm in "advances" from Sony (offset by artist advance royalty receivables) and has acquired well in excess of \$400mm in additional catalogs and titles. Houlihan, Lokey, Howard & Zukin ("HLHZ") has indicated a range of EBITDA multiples for Sony/ATV (which catalog they are familiar with) of 16 - 20 x, giving a potential appraised value of between \$1.5B and \$1.9B. Additionally, Wachovia, an active lender and securitization bank in the entertainment industry has indicated an advance rate against appraised value against this library of 50% at less than 1% up front and 1% over Libor. The purchase option we are seeking values Sony/ATV at \$1.2B, representing a potential built-in gain of between 25% (\$300mm on \$1.2B) and 60%.

EXHIBIT 20
Rachel A. Ferner
CSR No. 6948
Date: 7-12-06
Witness: Shelly

CONFIDENTIAL

TI 00126

Michael Jackson Current Financial Situation:

Michael Jackson, currently subject to a criminal prosecution case asserting child molestation, is personally illiquid spends significantly more than he generates in income.

Michael Jackson Situation Assessment

	Oldco		
	Monthly	Quarterly	Annual
Average Royalty Receipts (Collected Quarterly)			
BMI	108,737	326,210	1,304,840
Warner Chapel	576,667	1,730,000	6,920,000
Sony Artist Royalties			
Warner Chappell Box Set	12,500	37,500	150,000
Total Royalties	697,903	2,093,710	8,374,840
Other Income			
Investment Partnerships	4,000	12,000	48,000
Other	0	0	0
Total Other Income	4,000	12,000	48,000
Total Average Receipts	701,903	2,105,710	8,422,840
Current Monthly Expenditures (ex Debt Service)			
Personal	660,000	1,980,000	7,920,000
MJJ	700,000	2,100,000	8,400,000
Restructuring Burn			
Neverland	370,000	1,110,000	4,440,000
Trial	500,000	1,500,000	2,000,000
Total Burn	2,230,000	6,690,000	22,760,000
Monthly Debt Service			
BofA / New Senior	(300,000)	(900,000)	(3,600,000)
Sub Debt			
Preferred			
BMI Advance	(108,737)	(326,210)	(1,304,840)
Warner Chappell Box Set Advance	(12,500)	(37,500)	(150,000)
Total debt Service	(421,237)	(1,263,710)	(5,054,840)
Net Cash flows	(1,949,333)	(5,848,000)	(19,392,000)
Outstanding Debt			
BofA / New Senior	Interest 5%	(72,500,000)	
Sub Debt	10%		
Preferred			
Availability Under Line of Credit		(600,000)	
Current Accounts Payable Balance		(6,000,000)	
Total Current Indebtedness		(79,100,000)	
Advances			
Warner Chappell Box Set Advance		(750,000)	
BMI Advance		(2,500,000)	
Sony Artist Royalty Advance			
Total Advances		(3,250,000)	
Current Cash Position		0	

Key Issues:

- Michael Jackson distressed financial situation.

Mitigants

- The financing proposed contemplates \$11mm in additional payments to Michael Jackson to support his "adjusted" burn through year end, by which time DB will have exercised its option to acquire the Sony/ATV interest and the proceeds for which will be sufficient to repay all the financing at MIJAC.
- Potential Criminal and Civil lawsuit against MJ prevails diluting value of MIJAC and potential of future civil lawsuits encroaching on value of collateral

Mitigants

- Leverage against the MIJAC library at the initial phase is 90% inclusive of the preferred stock, against the FMV of MIJAC, yet only about 70% against the MIJAC and Neverland
- High leverage against MIJAC library – 90%

Mitigants

- Leverage of about 70% against the MIJAC and Neverland, upon which an offer exists at \$50mm.
- Competitive situation: while we are exclusively mandated, Koppelman (ex Chairman of EMI) is an advisor to MJ Publishing trust, with unusual access to the Sony/ATV situation

Mitigants

- Koppelman perceived by MJ and advisors to be working in conflict with MJ, accordingly, MJ would prefer to work with TI (per advisors)

Supporting reasons to pursue transaction:

- The initial funding results in a LTV of 70% (based on estimated appraisal of MIJAC and Neverland).
- High yield – L + 400bps, plus a 500bps PIK for a 90% investment, and a 1.5% front end fee.

TRANSACTION STRUCTURE

Transaction Type:	Senior Term Loan, Stretch Senior and Preferred Stock		
Purpose of Loan:	MIJAC - Refinance existing debt, provide working capital MJ/ATV – Acquire interest in Sony/ATV		
Requested Loan Amount:	Commitment:	MIJAC - \$90,000,000	
	Initial Funding:	Same as above	
Closing Date:	June, 2005		
Term:	1 year		
Repayment:	Amortizing through cash flows		
	Secondary: Sale of assets		
Rate:	MIJAC – Floating L + 400bps, plus a 500bps PIK		
Fees:	Commitment Fee:	1.5%	\$1,350,000
Minimum Yield:	L + 1050		
Amortization:	1 year bullet		
Guarantees:	Michael Jackson		
Referral:	Transitional Investors		
Comments:			

SOURCES AND USES

MIJAC

MJJ / MJ Publishing Restructuring Sources & Uses

Sources of Capital	Fees	Interest	
New Senior debt	1.5%	7%	90,000,000
New Sub Debt			
New Preferred Stock			
Cash from Interest Reserve			<u>0</u>
			90,000,000
Use of Proceeds			
Repay Bank of America Line of Credit			72,500,000
Repay BofA Overdraft			600,000
Pay Accounts Payable & Accrued Liabilities			3,000,000
Bank Fees			1,350,000
Other Fees & Expenses			1,415,333
Overfund Working Capital Needs		11,134,667	
Cash from Interest Reserve		<u>0</u>	
			<u>11,134,667</u>
Total			<u>90,000,000</u>

VALUATION (\$000,000's)

	MIJAC	MJ/ATV*
Net Publishers Royalty	7	45
Multiple	14.5	16
Enterprise Value	101.5	720
Debt		200
Equity Value Available	101.5	520
Available to DB	101.5	360

* on the basis of "arms length" administration of between 4 and 5% of Royalties for Sony/ATV

BB@

—

Merco

From: John Cox <jcox@transitionalinvestors.com>
Sent: Tuesday, April 12, 2005 5:36 PM
To: Dean Dakolias <ddakolias@fortress.com>
Subject: LOI 04 05 05.doc

MIJAC refi

TRANSITIONAL INVESTORS LLC

150 California Street, Suite 1100
San Francisco, CA 94111

April 6, 2005

Attention: Mr. Don Stabler
Advisor
Michael Jackson

Re: Refinance existing senior indebtedness of the MJ Publishing Trust (holder of personal music library interests of Michael J. Jackson, MIJAC (dba))

Dear Don:

Transitional Investors, LLC ("TI") is pleased to submit this non-binding Letter of Intent ("LOI"), to provide senior debt to refinance the existing BankAmerica Line of Credit to the MJ Publishing Trust ("MJPT") (the "Financing").

Transitional Investors, LLC is a private investment firm based in San Francisco, CA. Transitional Investors is primarily focused on the acquisition and management of long-lived assets with contractual or highly predictable, recurring cash flows. TI is a joint venture partner of Fortress Investment Group, a \$12B New York based hedge fund.

1. The Financing: TI currently contemplates providing senior debt in the form of a senior secured credit facility to MJPT (a bankruptcy remote, special purpose entity).

The Senior Secured Credit Facility: TI Contemplates providing a *Ninety Million Dollar (\$90,000,000)* Senior Secured Credit Facility to be secured by the entire MIJAC music library and the property known as the Neverland Valley Ranch ("Neverland"), as well as a personal guarantee from Michael J. Jackson (the "Assets"). Fees at 3%; Pricing at Libor + 550bps.

MJPT shall use the proceeds to disburse about *Seventy Two Million Five Hundred Thousand Dollars (\$72,500,000)* to:

- Refinance the existing BankAmerica Line of Credit;
- Pay various other accounts payable;
- Pay fees and expenses associated with the Financing; and
- Make a limited direct distribution of *Eleven Million Dollars (\$11,000,000)* to Mr. Michael J. Jackson.

In partial consideration for having provided the Financing described herein, Michael J. Jackson shall

DaKolias
8
SBR 3/30/06
FENICAD 800-631-8588

deliver to TI a right of first refusal to enter into any transaction contemplated by MJ/ATV involving the refinancing of, sale of, or exercise of other rights of the MJ/ATV Publishing Trust ("MJ/ATV"), the holder of a 50% interest in Sony/ATV and encumbered by a \$200,000,000 BankAmerica Term Loan (the "Right"). The Right shall run for a five-year anniversary of the financing of the \$90,000,000 bridge loan.

Transaction Sources and Uses (\$millions)

MJJ / MJ Publishing Restructuring Sources & Uses

Sources of Capital	
New Senior debt	90,000,000
Cash from Interest Reserve	<u>0</u>
	90,000,000
Use of Proceeds	
Repay Bank of America Line of Credit	72,500,000
Repay BofA Overdraft	600,000
Pay Accounts Payable & Accrued Liabilities	3,000,000
Bank Fees & Expenses	2,765,333
Overfund Working Capital Needs	11,134,667
Cash from Interest Reserve	<u>0</u>
	11,134,667
Total	<u>90,000,000</u>

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, and the MJPT, completion of appraisals, forensic accounting review and satisfactory development of a detailed operating budget for Michael J. Jackson, and other customary conditions. TI is prepared to commence detailed negotiations immediately and we are confident we can complete the Financing within thirty (30) days from the date of execution of this LOI.

In consideration of the time, expense and other resources we are prepared to invest in connection with evaluating and negotiating the proposed Financing, Michael J. Jackson and the MJPT agree that for a period of (90) days from the date of execution of this letter by all parties, neither MJPT, nor MJ/ATV will (nor will they direct, authorize, encourage or permit any of the MJPT's or MJ/ATV 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

Buyer 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 ageing, 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 and the BankAmerica Term Loan at MJ/ATV); and (v) the condition of the Assets is satisfactory to Buyer.

4. Due Diligence

In consideration for TI undertaking the investment in time and resources to complete the Financing contemplated herein, MJPT shall pay TI all direct expenses of TI related to the Financing.

MJPT and MJ/ATV shall provide TI and its financing sources, accountants, attorneys and other agents and representatives (collectively, the "Representatives") with prompt and reasonable access to MJPT and MJ/ATV facilities, employees, representatives, databases, processes, and files for the purposes of conducting due diligence, and shall make a reasonable effort to provide TI access to its 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 MJPT and MJ/ATV or their representatives; (iii) conversations and interviews with employees and management of MJ/ATV, and customers on a selective basis; (iv) review of legal documentation, (v) examination of MJPT's back-office, processes, reporting, systems and infrastructure; (vi) valuation and forensic accounting review of the MJPT music library; and (viii) anything else deemed reasonably necessary by TI for TI to confirm the Assets.

CONFIDENTIAL LITIGATION MATERIALS

5. Break-up Fee

In the event that we are awarded the Financing and are working to complete all necessary closing conditions in a reasonable time frame, and MJPT chooses to work with another party to effect the Financing, or declines to pursue the Financing, MJPT shall pay to TI a total break-up fee as liquidated damages of *One Million Dollars (\$1,000,000)*. This break-up fee will be payable for up to 180 days after the expiration or the termination by MJPT of the (90) Ninety-Day exclusivity period, in the event a Financing is consummated with another party.

6. Contact Information

Please direct all communications with regard to our Proposal to:

Stuart Shelly
Managing Director
Transitional Investors, LLC
(415) 781-8133 (Work Phone)
(415) 358-5921 (Work Fax)
(310) 200-6210 (cell)
sshelly@transitionalinvestors.com

Other than Section 5, this LOI is not intended to constitute a binding and enforceable contract of any party 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 assisting MJPT with respect to the proposed Financing.

We are enthusiastic about the prospect of providing the Financing. 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: _____

John A. Cox
Director

Understood and agreed to on this 26th day of March, 2005.

MICHAEL J. JACKSON
