

Bridge_loan_letter1

PROPOSED TI LETTER-BRIDGE LOAN

March 25, 2005

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

Re: Bridge Loan and Refinancing of 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:

Pursuant to the Letter of Intent ("LOI") between Transitional Investors, LLC ("TI") and Mr. Michael J. Jackson ("MJ") dated December 20, 2004 and executed by the parties on or about January 20, 2005, to provide MJ refinancing of existing senior indebtedness as well as the purchase of Sony Corporations 50% interest in Sony Music ATV, this letter is intended to amend the LOI as specifically set forth below. Pursuant to the request of MJ, TI will provide MJ with a Bridge Loan to refinance the existing \$90M Bank of America Line of Credit, under the certain terms and conditions as provided in the March, 2005 TI Presentation which are incorporated herein by this reference as if fully set forth. Paragraph 1 of the LOI is amended to include the terms and conditions of the Bridge Loan financing as well as the terms and conditions for the refinancing of the \$200M Bank of America Term Loan and the purchase of the Sony Corporation 50% interest in Sony Music ATV as outlined in the TI Presentation. All of the remaining terms and conditions of the LOI are enforceable and to remain the same, with the exception of the numerical financing changes set forth in the TI Presentation.

Very truly yours,
Transitional Investors, LLC

By: _____
Stuart Shelly
Managing Director
Understood and agreed to on this
____, day of March, 2005
Michael J. Jackson
MJ Publishing Trust

By: _____
Michael J. Jackson
Authorized Representative MJ Publishing Trust

MJ Publishing Trust Tactical Objectives

- Obtain Immediate Liquidity Without Sacrificing Assets
- Refinance Existing Debt
- Solve Pressing Liquidity Concerns
- Prevent "Fire Sales" of Library Assets
- Preserve Ownership of Libraries
- Remove liens from MIJAC and Neverland.
- Regain Financial Freedom

Current Situation Analysis of MJ Publishing Trust

- **Liquidity Trapped Due to Current Sony Structure**
 - \$3MM - \$5 MM per annum for Sony "Guarantee"
 - Heavy Operating Expenses
- **Assets: 50% interest in Sony ATV**
- **Indebtedness: \$272,500,000**
- **Subject to Restrictive Loan Covenants**
- **Restrictive Collateral and Pledge Requirements**
- **Constraining Liquidity Support Requirements**
- **Limited Value in Current Situation for MJ Publishing Assets**
- **Restrictive Covenant default on \$72,500,000 Bank of America Loan**
- **Over \$6,000,000 of Vendor Debt**
- **Varying Degrees of Legal Action From Creditors**

Confidential Litigation
Materials



D 02685

Three Step Process to Financial Freedom

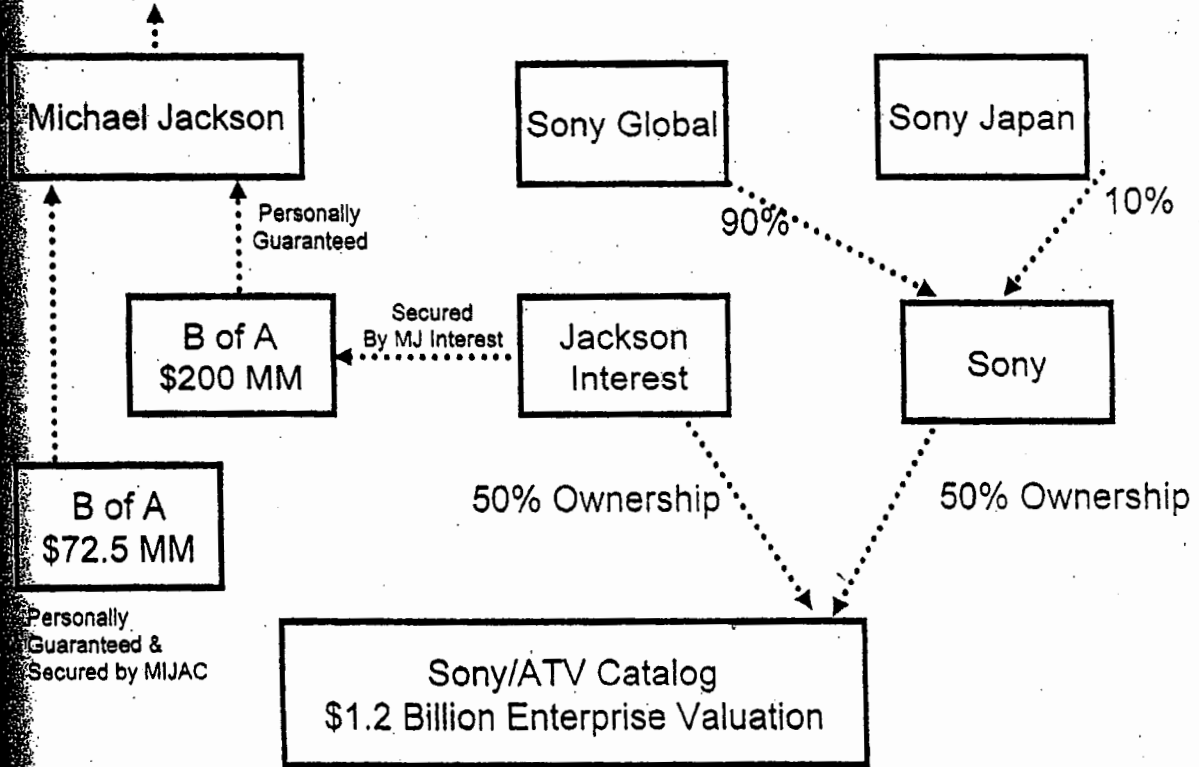
- Refinance - \$72,500,000 Bank Loan and create \$16,500,000 of Liquidity
- Option – Fortress exercises option to buy MJ Interest at \$204M. Eliminate \$200,000,000 debt on MJ/ATV, and free up cash flow from Sony Guarantee, and cash flow associated with debt service.
- Sony Put – Partnering with TI, purchase Sony portion of catalog.

TRANSITIONAL INVESTORS LLC

Confidential Litigation Materials

Today's Structure – Significant Assets, But No Cash Flow

LIQUIDITY CRISIS



D 02686

TRANSITIONAL INVESTORS LLC

Confidential Litigation
Materials



D 02687

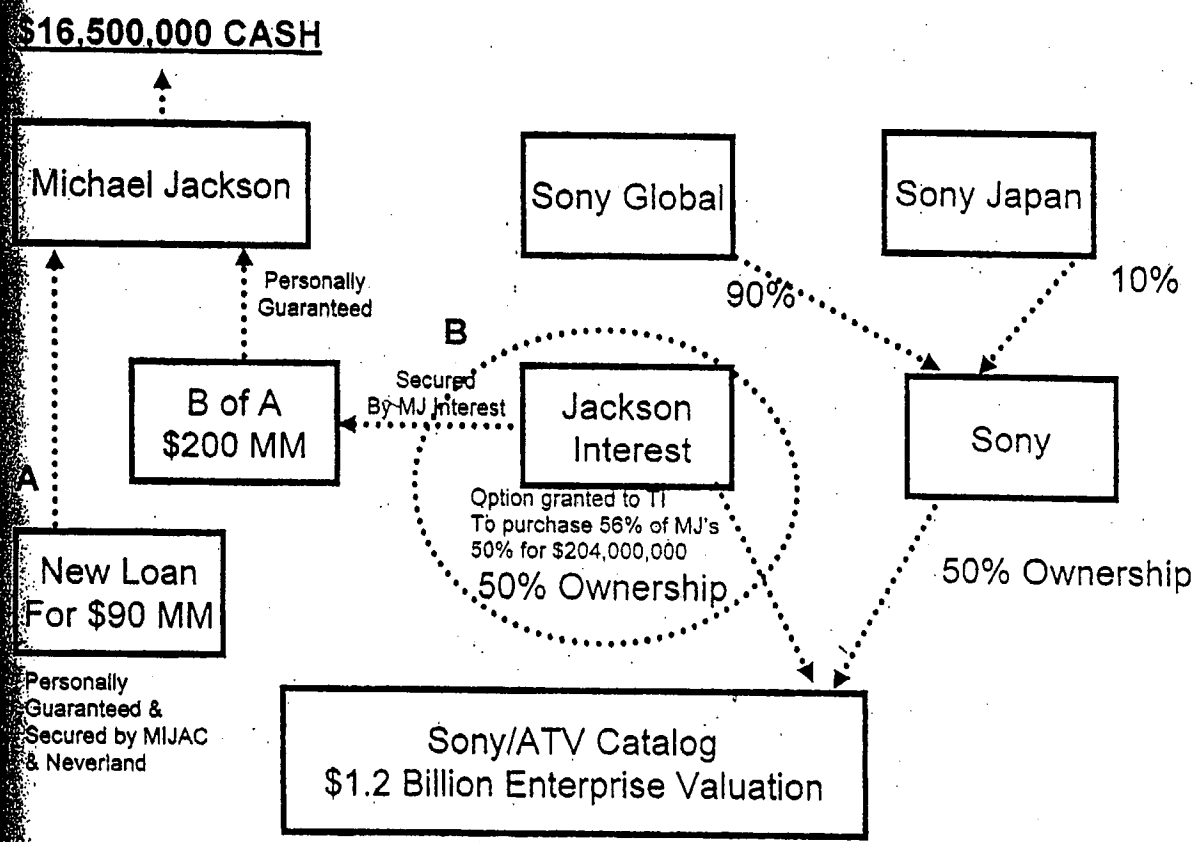
Step One – Create \$16,500,000 of Liquidity

- \$90,000,000 Refinancing of the \$72,500,000 Loan will be secured with the MIJAC Library.
 - Expected duration of the loan is six to twelve months
 - Collateral – First Lien on MIJAC and Neverland (18M of Neverland)
 - Transaction Fee 3%

- Use of Proceeds
 - Principle - \$72,500,000
 - Overdraft - \$600,000
 - Negotiated Vendor Settlements - \$3,000,000
 - Bank Fees - \$2,765,333
 - Cash Available to MJ \$11,134,667

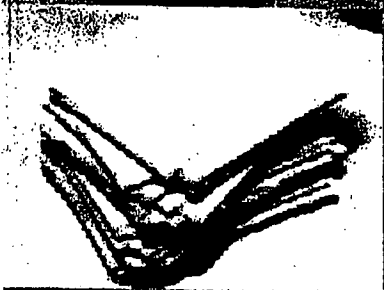
Confidential Litigation Materials

Step One Diagram



TRANSITIONAL INVESTORS LLC

D 02688



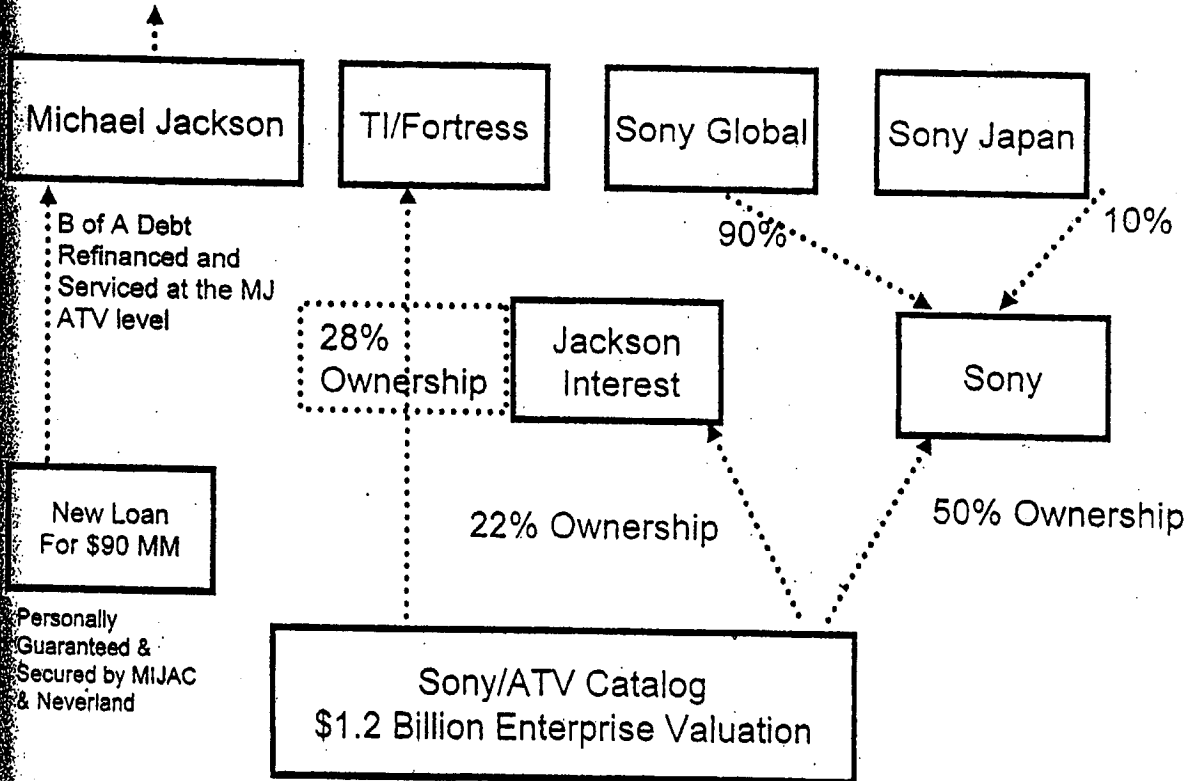
Step Two Explained

- **Option – The terms of the bridge financing give Fortress the option to purchase 56% of MJATV (28% of MJ library interest) for \$204,000,000.**
 - \$10 MM Advisory Fee Paid, so Net is \$194,000,000 to MJ
 - \$200,000,000 Debt to B of A refinanced by Fortress.

- **Option - MJ can purchase the Fortress Option for \$50,000,000 at anytime up to the exercise of the option.**

Effect of the Option Exercise

\$16,500,000 CASH Dramatically Increased Cash Flow, and net of \$194 MM in Cash

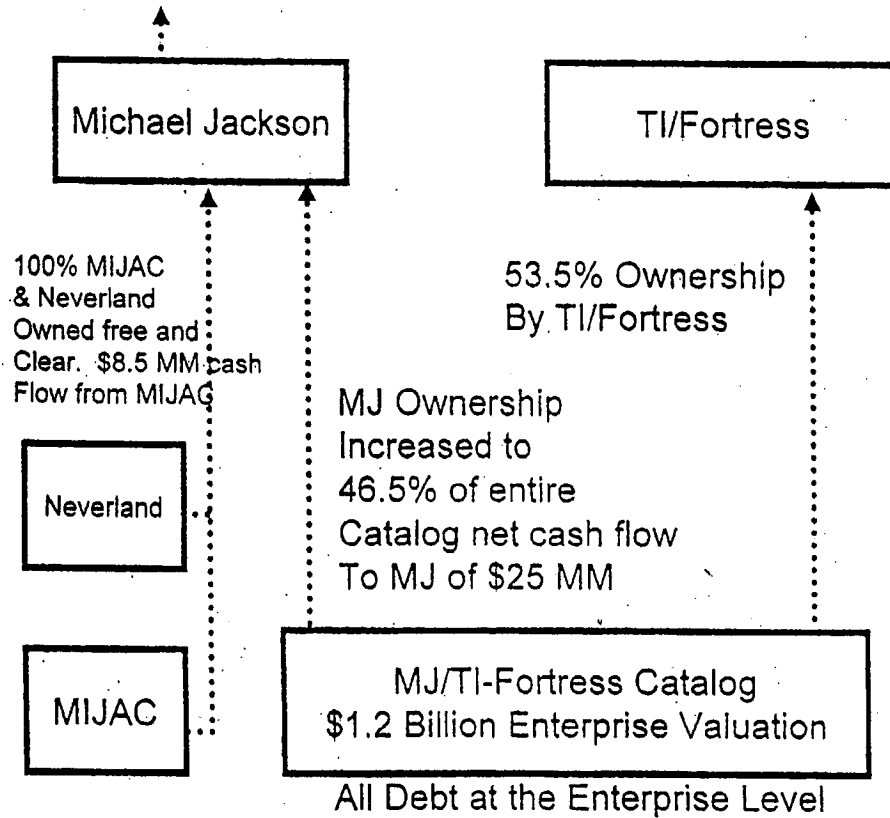


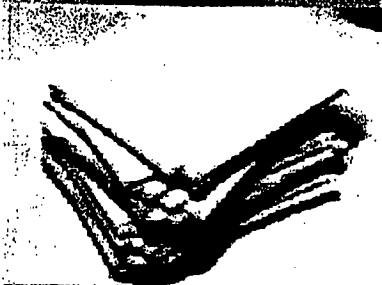
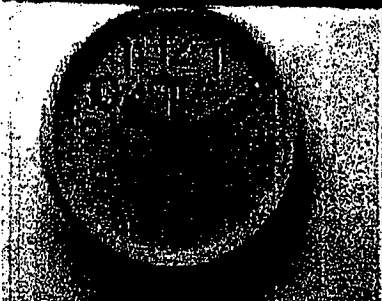
Step Three – Acquisition of Sony Side of ATV

- **TI/ Fortress Acquires an additional 50% of the Sony Library.**
 - Fortress provides MJ with 24.5% of the Sony ATV interest (MJ interest to 46.5%)
 - Fortress provides MJ with debt to pay off MIJAC Loan
 - Total debt of approximately \$290 Million secured by new Enterprise ATV Library
 - Assuming 10 year amortization, the debt service would be roughly \$20 million per year.
 - Assuming a 20 year amortization and libor plus 100 interest, Post restructuring of the library management contract to a 4% fee, free cash flow from 46.5% of ATV and 100% of MIJAC would be \$33 MM per annum.
- **Fortress Retains 23% of Sony ATV**
 - Fortress total ATV interest becomes 53.5%
 - MJ's total ATV interest becomes 46.5%
- **Net Effect of this Transaction**
 - MJ increases free cash flow to at least \$33,000,000 per year.
 - Owns MIJAC and Neverland free and clear without liens or encumbrances.
 - No personal guarantees. All debt service is paid by ATV.
 - Upside appreciation of the library is preserved.

Effect of Purchase of Sony Share

Financial Objectives Achieved – Approximately \$33 MM Cash Flow





Transitional Investors Solution Summarized

- **Step One – Refinance \$72,500,000 Bank of America Loan**
 - New Loan - \$90,000,000 from Fortress Investors
 - Net Effect – Generates Approximately \$16,500,000 of cash
 - Pay Off Vendors - \$3,000,000 after Negotiated Settlements
 - \$11,000,000 of Additional Cash for Operations
 - Timing – Four to Six Weeks to Close.

- **Step Two – Option to Fortress to buy 56% of MJ ATV Interest for \$204 Million -**
 - Net Effect –MJ retains 22 % of MJ ATV if Fortress exercises option

- **Step Three – MJ Partners with Fortress to Acquire Sony ATV Interest in the Catalog**

- **Final Result**
 - MJ Owns 46.5% of the entire Sony ATV Catalog
 - \$290,000,000 Fortress Loans Secured by new Enterprise ATV
 - MIJAC and Neverland Debt Free – Producing \$8.2 MM Cashflow

TRANSITIONAL INVESTORS LLC

Recommended Strategy and Steps

- (1) Refinance MJ Publishing Trust indebtedness – the Bridge.
- (2) Cooling period. Fortress exercises option.
- (3) MJ Publishing Trust & Fortress acquire Sony portion of the catalog.
- (4) MJ Publishing Trust and Fortress manage and grow the catalog.