April 15, 2003

## Goldman Sachs Proposal — Talking Points

*If MJ does nothing today, he may lose his publishing assets and owe millions in potential tax liabilities*

- 3 alternative scenarios if MJ does nothing today
  - *Refinance current BofA debt ($200m): Unlikely*
    - May require Sony to extend its put obligation to BofA and $6.5m annual distributions to pay interest
  - *BofA forecloses on all debt & exercises put right:* (i) MJ loses publishing assets and (ii) owes $60m taxes
  - *MJ sells Sony-ATV stake and MIJAC to Sony or to 3rd Party:* unlikely because not enough time to exercise exit rights. In addition, need to receive minimum value of 17x EBITDA ($313m) to pay BofA debt and resulting taxes
- GS proposal results in an effective pre-tax purchase multiple of **21.3x** trailing EBITDA[1] — significantly higher than any value MJ would likely receive from any other scenario

*Benefits of partnership with Goldman Sachs / Charles Koppelman*

- Goldman Sachs and Charles Koppelman will oversee/advise MJ's financial and business needs
  - Achieves immediate financial stability and limits future financial uncertainty
  - Manager / advisor with no agenda other than doing what's right for MJ and creating value
- Position MJ to be the "Bill Gates" of the music industry
  - Like Bill Gates, MJ will own a smaller equity stake in multi-billion dollar company which will become platform for significant personal wealth creation
- GS will work to grow and monetize the equity value of MJ's retained equity stake — which will enable MJ to cash out a second time in the future

*Unique opportunity for MJ to get control of his destiny and use this partnership as the foundation for financial stability for his entire music business initiatives going forward*

- Repay short and long-term obligations
  - Eliminate $235m of debt owed to BofA secured by 50% interest in Sony-ATV and 100% of MIJAC
  - Eliminate $12m of current obligations (e.g. personal expenses, legal fees, etc.)
  - Eliminate $7m second lien on MIJAC assets
- Additional cash proceeds to provide liquidity cushion as MJ's new business projects generate income
  - $1m per month in first year and $7m per year thereafter
- No intended current tax liabilities
  - Doing nothing may result in $60 million in taxes by end of 2005

*Goldman Sachs Proposal*

- MJ contributes his interests in Sony-ATV and MIJAC to a new company in partnership with Goldman Sachs Capital Partners ("GSCP") and Charles Koppelman
- Goldman Sachs is effectively valuing MJ's equity at $419 million on a pre-tax NPV basis
  - $270m in upfront cash to MJ in form of loan ("tax-free") to pay off MJ debts
  - $15m in cash to MJ in 1st yr for discretionary spending ($3m upfront, $1m/month)
  - $300m Preferred interests structured to yield allocations in excess of interest payments on loan
  - $7m in additional cash payments per year after 1st year
  - 10% common equity stake in Music LLC in partnership with Goldman Sachs and Koppelman
- GS proposal provides MJ with a pre-tax valuation of 21.3x trailing EBITDA on an NPV basis[1]
  - EMI Music Publishing's implied value is 8.7x to 12.2x EBITDA based on current EMI stock price
  - Press reports have AOL Time Warner looking to sell Warner Chappell for 10-12x EBITDA

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[1] *Assumes value of retained equity stake generates at least enough after-tax proceeds to pay any other tax liabilities upon exit.*