

## THE NATION

*Indebted Jackson to Sell Part of Music Catalog*  
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### Document Text

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Michael Jackson, who ruled the pop charts before struggling with mounting debts and legal troubles, began dismantling his empire Thursday by agreeing to sell a portion of his beloved music publishing catalog that features hits by the Beatles and dozens of other stars.

To avoid foreclosure on several loans, Jackson signed a \$325-million refinancing agreement that would require him to sell half of his 50% stake in Sony/ATV Music Publishing to partner Sony Corp. within the next few years. Proceeds will pay off a large portion of the performer's debt, owed primarily to New York hedge fund Fortress Investment Group.

The deal is a coup for Sony, which has long hoped to acquire a larger interest in the thousands of copyrights owned by Sony/ATV, which include 251 Beatles songs and Bob Dylan's "Blowin' in the Wind." People familiar with the deal, who asked not to be named, said that Sony was likely to pay Jackson about \$250 million.

The Sony/ATV catalog is valued at about \$1 billion, but is expected to be worth more by the time Sony buys half of Jackson's stake because revenue has grown by more than 10% in the last two years.

Representatives for Jackson and Sony/ATV declined to comment on the deal.

A star since he was a child performing with his brothers in the Jackson 5, the singer's 1983 solo album "Thriller" remains one of the top sellers of all time. In 1990, Forbes estimated his net worth at \$175 million.

But as his celebrity grew, so did Jackson's overhead. His lifestyle became more extravagant and he acquired lavish homes and a collection of exotic animals. At the same time, Jackson's music sales slowed because his public persona was hurt by a civil suit that alleged he had molested a child.

That suit was settled out of court in 1994. But in 2004, Jackson was indicted on criminal child-molestation charges involving another plaintiff. He was acquitted of those charges last year.

The seeds of Thursday's agreement took root last spring, when Bank of America representatives approached Jackson about a looming repayment deadline on a \$270-million loan collateralized by the singer's interest in Sony/ATV.

Jackson, who was then awaiting trial on the criminal child-molestation charges, authorized his advisors to negotiate a solution that would have erased his debts and provided him with income of about \$10 million a year, according to someone who participated in the negotiations. As part of the agreement, Sony Corp. would have purchased half the singer's interest in Sony/ATV for \$200 million to \$250 million.

But at the last minute, sources close to those negotiations say, Jackson balked at the deal. Over the objections of Jackson's advisors, Bank of America then sold the loans to Fortress.

When the Fortress-owned loans came due in December, the singer lacked sufficient funds to repay them. Sony officials including Chief Financial Officer Rob Wiesenthal, worried that Fortress might seize Jackson's interest in Sony/ATV, helped the singer negotiate an extension. But the loan's interest rate increased to about 20% a year and the total amount owed ballooned to more than \$300 million.

Jackson also relocated to Bahrain, making the possibility that he could jump-start his recording and touring career even more remote.

On the advice of Bahraini and new Los Angeles-based consultants, Jackson negotiated Thursday's deal, in which the singer may receive less than was proposed last year.

Jackson, who according to 2005 court testimony was spending \$30 million more a year than he earned, will still collect profits from his remaining 25% share in Sony/ATV, and will receive royalties from his own compositions, which remain separate from Sony/ATV. However, the publishing rights of those songs will be used as collateral for the refinanced loan, putting them at risk if Jackson defaults.

"There's no more people in the shadows to help him out," said Debra Opri, an attorney who represents Jackson's parents. "He's selling everything because no one else will finance him."

Another beneficiary of the agreement is Los Angeles music attorney John Branca, who has been alternately embraced and spurned by the mercurial Jackson throughout much of the singer's career. Branca helped structure Jackson's purchase of the Beatles' and others' copyrights in 1985 for \$47.5 million.

Today, those assets are worth more than 10 times that, and sources say Branca, who owned 2.5% of the Sony/ATV venture, has already pocketed as much as \$20 million when Jackson bought out his share as part of Thursday's refinancing agreement.

Citing a confidentiality agreement, Branca refused to discuss Jackson's refinancing or the terms of his agreement with the singer.

When Jackson first purchased the copyrights that have now spared him from defaulting on his debts, few imagined he would ever need saving.

In 1983, after releasing "Thriller," the singer met with Branca in the den of the Jackson family home in Encino. He told the lawyer that he wanted to start acquiring the copyrights of famous songs.

Jackson had recently dined with former Beatle Paul McCartney, who explained that copyright owners typically get a portion of revenue generated by a song. A few months later, Branca told Jackson that a company owning the copyrights on hundreds of Beatles tunes, including "Yesterday" and "Let It Be," was on the market, and the singer jumped at the chance to buy it.

That company, an entertainment conglomerate named ATV, had purchased the Beatles' publishing company in 1969 as well as copyrights on more than 4,000 songs by other artists.

Jackson told his advisors he wanted ATV as much for emotional as financial reasons.

"Michael was very determined to buy the songs," said Gary Stiffelman, a music attorney who helped negotiate Jackson's purchase of ATV. "He feels a real connection to the masterpieces and he wanted to own the legacy."

Branca structured the ATV acquisition and continued to represent Jackson, negotiating sponsorship deals that were then some of the richest in history. But in 1990 Jackson cut his ties to the attorney at the urging of other advisors. Jackson dismissed Branca by passing a note to an associate that said, "Tell John Branca and Karen a paralegal I'm sorry and I love them."

Within three years, Jackson was in a downward spiral. In 1993, around the time he publicly sought treatment for addiction, Jackson offered Branca 5% of his future projects if he would again represent him. Branca began increasing ATV's holdings by acquiring the copyrights of Elvis Presley songs and such tunes as "Great Balls of Fire," "When a Man Loves a Woman" and "Love Train."

In 1995, Jackson merged ATV with Sony Music Publishing. Sony, betting that the singer and the songs he owned would be popular for years, paid him \$115 million and agreed to contribute future compositions by other artists. As a result, today Jackson profits from the tunes of Destiny's Child and Will Smith, among others. The Sony/ATV catalog generates an estimated \$80 million in yearly revenue, about half from Beatles songs.

After Jackson was accused of child molestation for the second time in 2004, he again distanced himself from Branca and other advisors who had guided his career for years.

By then Jackson was spending most of his time in seclusion on his 2,600-acre Neverland Ranch in the Santa Ynez Valley. His legal troubles were multiplying. In the two years since, Jackson has been sued at least four times, accused of failing to pay \$3.3 million in overdue bills.

Since his relocation to Bahrain, Jackson has shuttered Neverland and sold or removed many of the tigers and other animals that lived there. He also agreed to pay more than \$300,000 in back wages to the dozens of Neverland staff that were laid off.

But as Jackson cuts back on his expenses, the most painful belt-tightening may be the loss of half his ownership stake in the Beatles catalog.

"There's no question it's the most valuable thing Michael has left," said Stiffelman, the music attorney. The songs, he added, "hold enormous emotional value."

**[Illustration]**

Caption: PHOTO: ADVISOR: Michael Jackson was aided by L.A. music attorney John Branca, right, in his 1985 purchase of the catalog.; PHOTO: ADVISOR: Michael Jackson was aided by L.A. music attorney John Branca, right, in his 1985 purchase of the catalog.

Credit: Times Staff Writer

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