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BUSINESS

Jackson estate huge -- and growing

By Harriet Ryan and Chris Lee

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Michael Jackson was one of the most famous people on Earth and also one of the most famously broke. Many who crossed paths with the performer in the final years of his life -- business advisors, lawyers, a Tennessee art dealer and even a Bahraini sheik -- accused him of skipping out on bills. Jackson came within days of losing Neverland Ranch to a foreclosure auction last year, and he died owing more than \$400 million to various financial institutions.

But the reality, those familiar with his finances say, can be summed up by the title of a Beatles' song he counted among his possessions: "Baby, You're A Rich Man."

Jackson's assets outweigh his debt by at least \$200 million, according to people knowledgeable about his business holdings. Determining a precise figure is difficult, they said, given the complexities of his finances.

Those calculations do not include his posthumous earning power, which seems immense based on the enormous public appetite for his music and memorabilia in recent days. Moreover, his death removed the biggest drain on Jackson's finances: his legendary spending.

Who will control his estate's great existing wealth and the massive fortune that licensing his name, recordings and likeness may bring is at the heart of a hearing today in a downtown L.A. courtroom. Lawyers for Jackson's mother, Katherine, 79, filed papers last week asking that she oversee the estate, but 48 hours later, two longtime Jackson associates filed a will the performer signed in 2002 naming them as executors.

At the hearing, which is expected to attract media from around the world, Superior Court Judge Mitchell Beckloff is to take up the issue of who should have authority to handle Jackson's affairs.

The need for control is as plain as Jackson's distinctive face on numerous memorial T-shirts and commemorative plates being hawked around the world. Images of the pop icon would appear to be the intellectual property of his estate, but no one is empowered to crack down on unlicensed vendors or collect fees.

The executors, leading entertainment attorney John Branca and veteran music executive John McClain, have urged the judge to clear them immediately to address another pressing matter: resolving issues related to Jackson's canceled comeback concerts.

Whoever the judge names will be running an estate for Jackson's children and perhaps other beneficiaries. Katherine Jackson's attorneys wrote in court documents that the pop star's two sons, ages 12 and 7, and daughter, 11, should inherit all of his assets. The 2002 will transfers his property into the Michael Jackson Family Trust. People familiar with the trust said that under its terms, 40% of Jackson's assets go to his children, another 40% to his mother and the remaining 20% to charities working with children.

Jackson's most valuable asset is his 50% share in the Sony-ATV Music Publishing catalog, which people with knowledge of the partnership value at between \$1.5 billion and \$2 billion. The partnership itself has about \$600 million in debt, one person said. In what is recognized as the shrewdest business move of his career, the singer bought the catalog in 1985 for \$47.5 million. Earlier this decade, he borrowed \$300 million against the catalog. That puts the value of Jackson's share at between \$150 million and \$400 million.

The Beatles catalog includes music written by John Lennon and Paul McCartney. Sony-ATV administers nearly all of the Beatles' greatest hits with the exception of the group's songs from the movies "A Hard Day's Night" and "Help!"

It also oversees the publishing of some 750,000 artists -- performers such as Elvis Presley, Destiny's Child, Hank Williams, Joni Mitchell, System of a Down, Eminem, Neil Diamond and Bjork. The catalog has continued to acquire song catalogs into the 21st century, and Sony-ATV is reportedly the fourth-largest music publisher in the world.

“Certain catalogs are considered prizes. There’s nothing like them in the world in terms of generating licenses and income,” said Lance Grode, adjunct professor at USC Law School who worked at the law firm that brokered Jackson’s acquisition of the catalog when the deal was struck in 1985. “The Sony-ATV catalog, it’s going to be exploited forever. It’s probably the premium catalog in the world.”

The catalog generated between \$13 million and \$20 million for Jackson annually, said people close to Jackson. Under the terms of the agreement, Jackson’s estate and Sony are to reassess the partnership next year. They could enter into a new agreement, Sony could buy Jackson’s share or the performer’s estate could buy Sony’s stake. A second catalog, Mijac Music Publishing, includes Jackson’s music as a solo artist as well as songs by other acts, including Sly & The Family Stone, Curtis Mayfield and Ray Charles, among others. Jackson used the catalog as collateral for a \$73-million loan. People close to Jackson estimated its worth about \$100 million, but it is difficult to place a current value on it because of the tremendous sales of Jackson’s music in the days since he died.

Last week, Jackson albums occupied nine of the top 10 positions on Billboard magazine’s Top Pop Catalog chart. Eight were solo recordings. One was by the Jackson 5. Fans downloaded 2.6 million Jackson songs, including some he recorded with the Jacksons and the Jackson 5, according to Keith Caulfield, senior chart manager for the magazine. The week before his death, Jackson sold 48,000 digital downloads.

Thanks to the unusual and lucrative recording contract structured with Sony at the peak of the entertainer’s fame by Branca, Jackson’s longtime entertainment attorney, Jackson receives half the profits from U.S. sales in addition to an approximately 25% royalty rate. Most acts sign deals with a 12% royalty.

Jackson is also among a handful of megastars who have commanded so-called reversion rights to their music. Under the terms he negotiated with the label, Jackson’s estate will assume control over his master recordings at some point in the next few years and could potentially distribute its own greatest hits CDs and DVDs -- or spark a bidding war by offering to license the music to one of Sony’s competitors.

Also in the entertainer’s portfolio is a profit-sharing agreement with Colony Capital, the private equity firm that bought the note on Neverland Ranch when Jackson defaulted on payment of a \$24.5-million loan. The terms of the agreement are not clear. Nor is the future of the 2,600-acre Santa Barbara County ranch, which could

sell for a reported \$70 million to \$90 million. Tom Barrack, Colony's chairman and chief executive, called Neverland a "Hope diamond" and told The Times the current focus is on restoring the property.

"The burden we have is to provide stewardship to this timeless asset and an elegant and timely transition," Barrack said.

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Career reboot

At the time of Jackson's death, he was embarking on a career reboot. Among the plans he discussed with backers at concert promoter AEG Live and Colony were a "Thriller"-themed casino, a Graceland-style "King of Pop" museum, a Las Vegas theatrical revue based on his music, and film projects. The estate could potentially pursue some of those.

Also, AEG is in discussions with the Jackson family to mount a tribute concert. It would employ staging and choreography that Jackson helped develop for his London shows and may include the singer's superstar friends as well as family members. New revenue for Jackson's estate could come from television rights and a DVD of the concert, AEG Live's chief executive Randy Phillips said at a news conference last week.

"I think this is something you do once and you do a broadcast around the world," Phillips said.

The estates of two other music legends -- Frank Sinatra and Elvis Presley -- provide Jackson's heirs with a template for what could be decades of substantial earnings from commercial endorsements and licensing agreements. Last year, Sinatra's estate signed a contract with Warner Music Group to explore projects including a Sinatra-branded casino, a restaurant chain and the use of his image to market luxury goods.

Presley's estate struggled to pay the bills at Graceland after his death but eventually became a model of how to monetize and protect a celebrity's legacy. Those endeavors range from memorabilia to feature films. Lisa Marie Presley, Presley's daughter and Jackson's former wife, controls 15% of Elvis Presley Enterprises and an entertainment

rights company, CKX Inc., owns the rest. CKX made about \$55 million in revenue last year from Elvis Presley Enterprises.

Jerry Schilling, former creative affairs director of Elvis Presley Enterprises, said Jackson is comparable to Presley in terms of breadth of recordings and global popularity.

“There are a lot of creative potential projects. Given the size of Michael Jackson’s body of work, that could go on forever if it is done properly and with the right people,” Schilling said.

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<https://www.latimes.com/archives/la-xpm-2009-jul-06-me-jackson-finances6-story.html>