

To: Randy Phillips[rphillips@aeglive.com]; Rick Webking[rwebking@aeglive.com]; Julie Hollander[julie@aeglive.com]; 'Paul Gongaware' [REDACTED]
From: Timm Woolley
Sent: Tue 5/19/2009 2:05:20 AM
Importance: Normal
Subject: May 16 - Digital Files
[AEGO2ExplainDiff.doc](#)
[MJLondon05-16-09V50.xls](#)

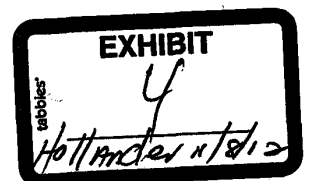
All

'Production' tab is the new budget with the added \$1m contingency.
'B' tab is the broad-brush explanation for differences.
The 'doc' file is the narrative for differences.

Next email will be pdfs of the above three series of schedules.

Timm

Timm Woolley
[REDACTED]



Confidential

AEGL000038425

Exhibit 641 - 20

AEG / O2 PROJECT
PRE-TOUR & REHEARSAL EXPENSES
EXPLANATION FOR DIFFERENCES

- 1 More Time
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Dancers were expected to number 8 and musicians 5. Backline and on-stage technicians were expected to number 4. Dancers budgeted total 12 plus one aerialist, musicians now 6 with the addition of a percussionist and on-stage technicians were increased by 3 for the addition of a keyboard programmer and 2 Apple 'Pro Tools' playback engineers.
- 3 Band Savings
Budgeted band salaries averaged \$5,500 – 50% during rehearsal. PG got agreement to \$4,000 = 50% during rehearsal. Substantial savings.
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Initial rehearsal venues budgeted included sound stage (Burbank), production venue (LA Forum) and UK facility. The UK facility was replaced with the O2, but the costs of rehearsing in the USA at Staples Arena are new.
- 5 Increase Ortega+Riggs+Wagner+Ferrigno
Ortega budgeted at \$500,000 plus an additional \$500,000 for outdoor additions; his final number is \$1,050,000 with the indoor and outdoor combined and with an agency fee of \$50,000 on top. Seth Riggs is a vocal coach whose involvement was unanticipated. Video content consultant, Robb Wagner and strength coach Lou Ferrigno were unanticipated. Against these was a savings of \$200,000 in musical director fees after substituting Bearden for Phillinganes.
- 6 3D+2D Song Videos
Making video treatments in both 3D and 2D to accompany action on stage was wholly unanticipated. The Ortega effect. More importantly, the extension of the show from 1:20 to 2:00 hours means that more variety and production value has to be put into the show to make it a vehicle to continue on track for 3 or more years.
- 7 Props & Scenic
In the original timeline an amount of \$3.5m was budgeted for indoor staging and it was posited that a further \$3.5m would be made available to augment staging if the indoor shows were a success and we could go outdoors after London. In the event, London was known to be a success and the investment (except for some weatherproofing additions) was made sooner rather than later. The resulting show stands up to inspection from the furthest point away from the stage in a stadium.
- 8 Wardrobe, Hair & Make-Up
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- 9 **Stage Arm & Ramp & 'Toasters'**
This refers to moving-elements within the actual stage itself. The only moving element originally budgeted was the personal MJ elevator from floor level to stage level. The additions are a 50' articulated arm (similar to a bucket truck), a leveling and lowering ramp and pop-up elevators for dancers similar to pop-up 'toasters'. Added production value.
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Original lighting bargain was driven irrespective of the actual lighting plot and number of instruments and represented approx 65-70% of commercial rental rates. The addition of some specialized lights resulted in an addition to the quote. The lights may be eliminated in rehearsal if they do not perform to expectation.
- 11 **Decrease in Sound**
Audio rental budgeted at 80% of commercial rates actually bargained to 65%
- 12 **Video Screen Size & 3D**
Screen originally estimated at 40'x x 20h, now 90'w x 30'h. Also, specialized optics applied to allow 3D image to be viewed through special lenses. Obvious increases due to cheer size and technology.
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Original budget posited building stage in UK in time for production rehearsal or in USA in time to seafreight stage. Current schedule is to airfreight everything to UK at a cost of \$650,000.
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Wardrobe as budgeted lifted to separate detailed section of the overall budget. This apparent variance is merely an allocation issue.
- 15 **MJ Charter USA-UK**
Original budget assumed MJ & security would be in commercial 1st class. Now assumed to be in G4 or G5 charter.
- 16 **Increase in Pre-Tour Airfares**
Some sourcing of individuals outside LA and multiple trips to/from LA for production personnel increased pre-rehearsal airtravel.
- 17 **Travel Agent Business Class Savings**
Original business class round-trip was estimated at \$9,000. Preferred Travel has negotiated rates with AA 2/3rds this amount.
- 18 **MJ Home Rental Over Hotel Cost**
MJ to rent substantial country residence costing double or more than comparative cost of 2-bedroom Claridges suite, which was budgeted.
- 19 **More People**
Hotel costs as determined by numbers of individuals increased with extra personnel
- 20 **Savings in Staff/Crew Apartments**
Tour rented 45 1-bedroomed apartments for staff crew at 50% hotel rates for less-good accommodation.
- 21 **PR Taken to UK Show Cost**

Some Public Relations cost was expected to apply to production, but the 'Outside Organisation' will be exclusively a show cost.

- 22 **Increase Due to Payroll**
Greater numbers of personnel and higher overall payroll cost occasions higher workers comp insurance premium estimates.
- 23 **Tour Travel Medical & Baggage**
Decision taken to insure personnel in UK against personal accident and/or sickness or loss of or damage to possessions.
- 24 **Greenberg Traurig Ortega Deal**
Lawyers were needed to complete Ortega deal because of intransigence of agent.
- 25 **Increase in Contingency**
Protect against consequences of more unanticipated line items.
- 26 **Different Insurance Method**
Instead of a net ascertained loss form of insurance, a new technique was proposed by underwriters and Robertson Taylor. This insures only the start-up expenses up to \$17m (the limit of available capacity) over the number of shows required to recoup the expenses. Premium of 3% applied instead of 8-10% anticipated.
- 27 **Tolme Gone**
Production Supervision agreement of \$100,000 per month following confirmation of non-appearance is no longer necessary.
- 28 **Budget Commenced February**
Bel Air home rent originally thought to incept in February – in fact January. Resulting in an additional \$100,000 in rent.
- 29 **Dr Conrad Murray**
MJ wishes to have a permanent physician available on call throughout the pre-tour period an operational period. There are 2 months at \$150,000 newly budgeted.

AEO / OI PROJECT
 PRE-TOUR & REHEARSAL EXPENSES
 EXPLANATION FOR DIFFERENCES

	Feb 07, 2009	Value	Note	Value	Note	Value	Note	Value	Note	Value	Note	Reconcils	May 16, 2009	
200	REHEARSAL/BREAK SALAR	\$1,376,000	500,000	1	500,000	2	(200,000)	3				\$2,176,000	\$2,174,000	
210	REHEARSAL PER DIEMS	142,000	30,000	1								172,000	\$175,000	
220	TOUR SALARIES/FEES	-										-	\$0	
230	TOUR PER DIEMS	-										-	\$0	
240	REHEARSAL FACILITIES	450,000	270,000	1			150,000	4				870,000	\$871,000	
250	DESIGN FEES / STAGE SET	3,000,000	1,100,000	5	5,050,000	6	1,500,000	7	1,400,000	8	2,200,000	9	14,350,000	\$14,350,000
260	TOUR PRODUCTION	1,100,000	200,000	10	(60,000)	11	200,000	12	650,000	13	(150,000)	14	1,950,000	\$1,945,000
280	TOUR TRANSPORTATION	540,000	130,000	15	25,000	16	(250,000)	17				465,000	\$474,000	
290	TOUR HOTELS	695,000	55,000	18	50,000	19	(250,000)	20				550,000	\$545,000	
300	OTHER TOUR EXPENSES	17,000										17,000	\$17,000	
310	OFFICE EXPENSES	22,000										22,000	\$19,000	
320	PUBLIC RELATIONS	33,000	(15,000)	21								18,000	\$15,000	
330	INSURANCE	121,000	40,000	22	10,000	23						171,000	\$172,000	
340	LEGAL	-	8,000	24								8,000	\$5,000	
350	TOUR BONUSES	-										-	\$0	
360	CONTINGENCY	210,000	1,090,000	25								1,300,000	\$1,300,000	
	TOTAL ABOVE-LINE EXPEN	\$7,726,000										\$22,069,000	\$22,069,000	
	BELOW-LINE EXPENSES													
400	NON-APP INSURANCE	1,500,000	(1,050,000)	26								450,000	\$50,000	
410	MANAGEMENT STAFFING	400,000	(400,000)	27								-	-	
420	MANAGEMENT RENT	500,000	100,000	28								600,000	\$600,000	
430	MANAGEMENT MEDICAL	-	300,000	29								300,000	\$00,000	
	TOTAL BELOW-LINE EXPEN	\$2,400,000										\$1,350,000	\$1,350,000	
	TOTAL ABOVE & BELOW LI	\$10,126,000	\$2,358,000		\$5,585,000		\$1,450,000		\$2,050,000		\$1,850,000	\$23,419,000	\$23,419,000	

AEG / 02 PROJECT
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 EXPLANATION FOR DIFFERENCES

Printed on 6/7/2012+

FEBRUARY 7, 2009 BUDGET

\$10,126,000

13 More Time	500,000	30,000	270,000	800,000
23 More People	500,000			500,000
3 Band Savings	(200,000)			(200,000)
4 Samples Added	150,000			150,000
5 Increase Orreaga/Riggs/Wagner/Ferrigno	1,100,000			1,100,000
6 3D-2D Song Videos	5,050,000			5,050,000
7 Props & Scenic	1,800,000			1,800,000
8 Wardrobe Hair & Make-Up	1,400,000			1,400,000
9 Stage Arm & ramp & "Toasters"	2,000,000			2,000,000
10 Increase in Lighting	200,000			200,000
11 Decrease in Sound	(50,000)			(50,000)
12 Video Screen Size & 3D	200,000			200,000
13 Airfreight Instead of Sea/flight	650,000			650,000
14 Wardrobe Originally in Production	(150,000)			(150,000)
15 M Charter USA-UK	130,000			130,000
16 Increase in Pre-Tour Airfares	25,000			25,000
17 Travel Agent Business Class Savings	(250,000)			(250,000)
18 M Home Rental Over Hotel Cost	55,000			55,000
19 More People	50,000			50,000
20 Savings in Staff/Crew Apartments	(250,000)			(250,000)
21 PR Taken to UK Show Cost	(15,000)			(15,000)
22 Increase Due to Payroll	40,000			40,000
23 Tour Travel Medical & Baggage	10,000			10,000
24 Greenberg/Twigg Oregon Deal	8,000			8,000
25 Increase in Contingency	1,000,000			1,000,000
26 Different Insurance Method	(1,050,000)			(1,050,000)
27 Toluine Giese	(400,000)			(400,000)
28 Budget Commenced February	100,000			100,000
29 Dr Conrad Murray 2 Months	300,000			300,000
				<u>513,293,000</u>

MAY 16, 2009 PROJECTION

\$23,419,000

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