

Went to all directors

- ① Eisner said he got OK from all directors
② Said IER rejected the deal

Ovitz going to Disney land

Eisner gets his heir apparent

By Jeffrey Daniels

The Walt Disney Co. jolted Wall Street and Hollywood with its second stunning announcement in two weeks on Monday when it named Creative Artists Agency chairman Michael Ovitz as president.

The appointment of Ovitz, 48, to the No. 2 post appears to make him the long-sought heir apparent to Michael Eisner, 53, chairman and CEO at the Burbank-based company. Ovitz fills the job of president of the corporation previously held by Frank Wells, who died in an April 1994 helicopter crash.

"There's now somebody like me who can do all of the things I can do," said Eisner, who repeatedly referred to Ovitz as his "partner" during an interview on Monday.

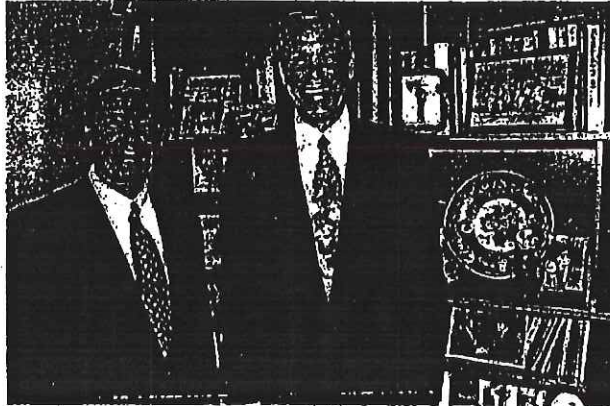
Eisner said that he realized after the deal was made for Disney to acquire Capital Cities/ABC Inc. (HR 8/1) that the time had come for him to find additional top management for the company.

"It just got too big for any one person to manage," said Eisner. "There is a lot of pressure on my time, which I'm going to share."

Eisner, who has been CEO at Disney since 1984, characterized the Ovitz hiring as a "strategic decision by me and our board to continue what (Disney vice chairman) Roy Disney started in 1984, which is to put into top management of this company people that are entrepreneurial and creative."

Eisner said he was "especially gratified to be able to have an additional partner going forward to manage this great and complex entertainment company, an executive who has already demonstrated a professionalism and expertise and superior performance in the entertainment business, a man I have known for over 20 years, and an individual in whom the board and I have great confidence."

Ovitz will start his new job Oct. 1 and oversee all three of Disney's



Walt Disney Co. chairman Michael Eisner, right, meets with CAA co-founder Michael Ovitz, left, on the Disney lot in Burbank after Monday's surprise announcement that Ovitz will be president of the company.

operating divisions — filmed entertainment, theme parks/resorts and consumer products — plus CapCities/ABC when the merger is completed. He will report directly to Eisner. Ovitz also was nominated to the Disney board.

Among those who will continue to report directly to Eisner are chief financial officer Stephen Bollenbach and Sanford Litvak, chief of corporate operations.

Both Eisner and Ovitz said that the high-profile superagent was at a crossroads in his career. He either had to once again reinvent CAA or find a new challenge.

"After spending 20 years building CAA and working with a lot of talented people and having a fantastic partnership, I think it was time to really start a new chapter," said Ovitz.

"The idea of spending the next chapter of my business career with someone who is a close friend — maybe my best friend — and a situation where there's just unlimited opportunities of possibilities and have some fun while you're doing it is real appealing to me," Ovitz added.

While Ovitz now becomes the logical successor to the top job at Disney, Eisner said on Monday that there is no contractual guarantee that Ovitz would get the chairman's job if he were to leave for any reason. Eisner said, however,

that if Ovitz performs as expected, it is likely the board would support his succession. Eisner added that Ovitz was "the natural candidate."

In his new job, Ovitz will have broad oversight while insulating himself from the ups and downs of Disney's individual divisions. Two months ago, Ovitz turned down an offer to run Seagram Co.'s MCA Inc. unit, a position where he would likely have been more accountable for the performance of the company's film product because of MCA's smaller overall size.

Seagram president Edgar Bronfman Jr. reportedly had offered the CAA head a package worth at least \$250 million. Instead, Bronfman hired Ovitz's second-in-command, CAA co-founder Ron Meyer.

Disney officials refused to discuss terms of Ovitz's financial compensation. Eisner noted that it will all eventually become public when the next Disney proxy statement is filed with the SEC. However, Eisner and Ovitz indicated that the strength of the compensation package will not be in upfront payments, but rather will be tied to the performance of Disney. If Disney grows, Ovitz will be well rewarded, said Eisner.

Observers expect the package to be sizable and to include generous stock options.

Wall Street cheered Ovitz's hir-

ing, sending Disney's Big Board stock up \$2.50, or 4.4%, to \$59 in active trading Monday.

That one-day rise represents more than \$1 billion in added market value to the stock in a single day.

"The one question I've had with the merger is thinness at the top of management and the succession issue," said Arthur Rockwell, analyst at Los Angeles-based Yeager Capital Markets.

"Obviously, this resolves the succession issue."

Added Schroder Wertheim & Co. analyst David Londoner, "Here's a company that six months ago everyone was saying there was no depth of management under Eisner. Between (Disney chief financial officer) Steve Bollenbach and Mike Ovitz and (CapCities/ABC president) Bob Iger, there's some management."

Jessica Reif, who covers entertainment at Merrill Lynch & Co., called the hiring of Ovitz "a huge coup for Disney. There's nobody who is more widely acknowledged (as) being the power broker, who has got more access to talent and relationships."

Eisner said that he has known Ovitz for about 25 years, and that he has tried to hire him repeatedly during that time. He first tried to hire Ovitz when he worked at ABC and Ovitz was an agent at William Morris.

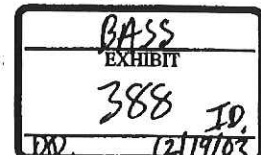
He said he again tried to hire Ovitz at Paramount Pictures, but Ovitz was busy building CAA. He said he tried again when he got to Disney, but that Ovitz preferred to remain at CAA at that time. He also put out feelers to Ovitz after Wells died.

The current negotiations were held face to face by Eisner and Ovitz last week at a resort in Colorado where the two executives were staying with their families. This time Eisner was able to recruit his old friend to join what was about to become the world's largest entertainment conglomerate.

Eisner said that before finalizing the deal, he spoke with and got enthusiastic approval from all the board members including vice

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HOLLYWOOD REPORTER
August 15, 1995
...continued...

chair Roy Disney.

Eisner said he also won a thumbs up from Sid Bass, who, while not a board member, is the leader of a family with a large stake in Disney.

Roy Disney said in a statement that Ovitiz's hiring "further positions us for the future across the whole range of our combined businesses."

Eisner said that Ovitiz's compensation package was negotiated by Irwin Russell, an attorney who heads the Disney board's compensation committee.

On Sunday, Eisner and Ovitiz met in Colorado with Joe Roth, who is head of Disney's movie operations, and the trio then flew together to Los Angeles for the announcement that surprised Hollywood and the financial communi-

ty.

Ovitiz, who co-founded CAA in 1975, can be expected to boost Disney's power to attract top stars and will likely move the company away from its traditional reliance on lower-priced talent, said Jill Krutick, a Smith Barney Inc. entertainment analyst said. At CAA, Ovitiz has personally represented such talent as Barbra Streisand, Warren Beatty, Tom Cruise and directors such as Sydney Pollack and Steven Spielberg.

Ovitiz said his leaving CAA was a painful one. "It's a tough day," he said. "There's a lot of gifted people there. They will do real well. They have strong, strong agents and good clients."

However, Ovitiz's departure from CAA about a month after

Meyer left is likely to change the landscape of the Hollywood agency business and could bring major changes, observers said.

"You're probably going to see others trying to take advantage of this stuff," said one industry executive who didn't want to be identified.

Christopher Dixon, analyst at PaineWebber Inc., said the Ovitiz and Meyer departures "may allow the studios to reassert control over talent costs. The cost structure of Hollywood has been out of control. This is a positive thing for the industry," he said.

Eisner said the hiring of Ovitiz will free him to spend time in the company's filmed entertainment. "This area I like and it's the area (where) I'm of more value to them

than other areas," Eisner said.

But he added that he doesn't plan to "infringe" on the film side.

Monica Roman in New York and Alex Ben Block in Los Angeles contributed to this report.

HOLLYWOOD REPORTER
August 15, 1995
Front Page

Ownership, direction of CAA in question

By Stephen Galloway

It seemed like just another Monday morning as sleepy-eyed staffers at Creative Artists Agency stumbled into the company's LM. Pei-designed headquarters, sipping cappuccino and munching bagels. But this day was different: Michael Ovitiz had called a special meeting for 10 a.m.

It was the fourth such meeting Ovitiz or other top CAA officials had held recently. The first had been to announce that the CAA chairman was in discussions with MCA; the second had been to announce that neither Ovitiz nor Ron Meyer would leave CAA; and the third had been to discuss Meyer's departure to MCA.

Now, as more than 100 agents, executives and trainees gathered in the CAA screening room, word began to spread about what Ovitiz might have to say. And speculation instantly centered, not on Ovitiz, but on veteran agents Jack Rapke and Bill Haber, whose possible departure had been rumored inside the agency and out.

Instead, Ovitiz dropped a bombshell: He would leave CAA to become president of Disney.

"Shock," said one source. "There was just absolute shock. I couldn't believe it."

This time, there were none of the cheers and tears that had met Ovitiz's announcement that he and Meyer were staying. Those present were too stunned for that.

Calmly and steadily, Ovitiz told the gathering that there was a great deal of opportunity for everyone in the new change; he added that change was inevitable, but change also meant opportunity.

Almost immediately, a transition committee was set up to handle that change.

Sources said the committee will be made up of 12 members, including agency veterans such as Rick Nicita and Rapke, business affairs head Ray Kurtzman, music chief Tom Ross, TV chief Lee Gabler, chief financial officer Bob Goldman, corporate advisory group co-head Sandy Climan — and also the rising stars of the company: Jay

Moloney, David O'Connor, Bryan Lour, Kevin Huvane and Richard Lovett.

Interestingly, the committee does not include Haber — the only remaining founding partner of CAA. Haber, Nicita and several other top agents were out of town and unavailable for comment.

According to sources, Ovitiz controlled 55% of the agency's equity, while Haber and Meyer each held 22.5%. That means at least three-quarters of the agency's ownership is up for grabs.

Also up for grabs is the direction of the agency. While Ovitiz and sources inside the agency insisted that CAA will reorganize its leadership and remain a powerful force in Hollywood, insiders acknowledged that most of the focus, at least immediately, will be on the talent agency business.

That leaves areas that Ovitiz pioneered — such as investment banking, advertising, advising corporate clients and partnering in a telco venture — without obvious leadership.

Most pressing of the issues at stake is the ownership of CAA.

"The question is, do the other agents take on tremendous debt for a stake in the company, or do they break away and form their own venture?" one rival agent asked.

While most sources said the key group of young agents known as the Young Turks was almost certain to stay, rumors have been flying about the possible departure of several other key players at CAA.

Rapke, whose clients include Bob Zemeckis and Ron Howard, has reportedly been in talks with Sony to take a senior-level position there. But a Sony spokesman said: "Jack Rapke is not coming to Sony Pictures Entertainment. We are having no negotiations with him. We are delighted with our current senior motion picture management team."

As for Haber, he has long been rumored to want to ease out of the agency business. Most industry sources said they believed it would be just a matter of time before he retires or moves to a high-level management position.

Reports around town focused on the possibility that Haber would reteam with Ovitiz at Disney.

Ovitiz denied Monday that any personnel decisions had been made. He said he would not know what he needed until after Oct. 1.

Haber as recently as a week ago denied rumors of his departure, but was out of the country and could not be reached Monday.

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