

for Le
onig -
off counter OM
10-1-96

Dear Irwin and Ray:

As you know I started writing this letter several weeks ago, even told you it was coming, but I decided to put in down and let some time pass. I was particularly angry with Michael Ovitz and did not want to commit anything to writing until additional time had passed. That has now happened, and although I am not a bit angry, I still feel a discussion of Michael Ovitz's future at Disney is called for.

We are almost one year into the Michael Ovitz discussion about being president of The Walt Disney Company . We made the decision, made Michael president, and now is the time to memorialize my thoughts about how he is doing, where I think his future in the company should be, and maybe some alternatives to him. The bottom line: he is not doing well. His seems manic and for many many reasons is ill equipped to lead The Walt Disney Company. I say ill equipped because I mean his is emotionally and mentally not appropriate for the task. I had hoped and maybe still hope he would learn how to be a corporate officer, but I now am convinced that would never happen. And I am writing this letter for that reason. If I should be "hit by a truck", the company simply cannot make him CEO or leave his as President with a figured head CEO. It would be catastrophic! I hate saying that, but his strength of personality together with his erratic behavior and pathological problems (and I hate saying that) is a mixture leading to disaster for this company. You Irwin and Sid Bass know this already and have many examples, but I felt I had to put in writing my feelings. Stanley Gold is aware of the problems as well without a lot of boring details.

His choice was ill founded, unfortunately. The mistake was mine, totally and completely. Maybe I suspected it the time, but my desire to bring in a strong number two executive, my desire to satisfy my wife's honest request that I get help, my desire to appear not threatened by strong executives, my desire to seek experienced help to run ABC, and my

HIGHLY CONFIDENTIAL

desire to do what was right for Disney, all clouded my basic instinct that I was making a mistake. I was really the only one who knew it. The Press thought the appointment was brilliant. The "community agreed". Tom Murphy and Dan Burke acted delighted. In my heart I was worried, but I hoped it would work, and I hope he would change from agent to executive, manipulator to leader, deviation to decision maker, selfish to selfless, devious to determined to stay the moral road, insecure to confident. It has not happened. And the only people that told me so up front was my sister and my son Eric.

Michael does not have the trust of anybody. I do not trust him. None of the people he works with feel comfortable with his directness and honesty. Like an athlete who has lost his way, Michael is pressing, is confused, his ineffective. His heart may be in the right place, but his ego never allows it to pump. His creative instincts may be in the right place, but his insecurity and existential drive never allows a real functioning process. He could build a business (Hollywood Records), but his lack of attention span works against his and our interests. He would be a great salesman, but his corporate disingenuous nature undermines him. And his lack of interests in long term outcomes effects his judgment on short term deals. The biggest problem is that nobody trusts him, for he cannot tell the truth. He says whatever comes to him mind, no matter what the reality. Because of all the above his executives, outside business associates, and the Press have turned against him.

Michael Ovitz has not taken any work load off me. He is work. It is necessary to check on everything he does. It is necessary to deal directly with all the executives in the company, to right the wrongs, to polish the image, to protect the company.

I had hoped it was me, that I was dealing badly with some kind of Shakespearean threat from inside the company. It is not. I am sure I am not without political anxiety, but this is

HIGHLY CONFIDENTIAL

not that. Michael Ovitz simply is not a corporate executive, and especially not one in a company like The Walt Disney Company. I am going to continue to try to make it work, but if by February the situation is no better; then I will recommend a change. It will be embarrassing for me, especially after the Jeff Katzenberg situation. But the change must come. Unless there is a miracle between now and February, we will lose more and more major executives including Bob Iger and Joe Roth and Sandy Litvack. We have a crisis, but not one that cannot be resolved.

You will notice I have attached a letter I wrote and typed to Michael. I am only including it because it sheds some additional light on the situation.

I have discussed my frustrations with Michael often and that is difficult. How does one tell a friend he is not truthful and nobody trusts him? How does one try to take away "I-it is" from the President of the company? Recently we spoke on a plane for two hours. I pointed out things he had done in just the past day that were devious and damaging in his dealings with Joe Roth for example. He does not seem to understand that he stretches the truth, changes the truth, leaves out information as to bend the truth. Unfortunately his main point on the plane was that if I made him COO and Sandy and Richard were to report to him, then everything would be okay. At the end of the ride I just felt his unhappiness was all a new kind of negotiation. I asked him if he was leaving. He was shocked that I would ask that. I told him a letter he wrote to me seemed to lead to three possibilities. "I quit". or "I retire" or "I will solve these problems". I got no real answer although, at one point on the New Orleans plane trip where a similar discussion was taking place, he mentioned he thought he could get the "Sony job". I think that was to scare me. It did not! At another point, on this trip back from New York, he mentioned retiring for a couple of years. I would accept that. But in our last conversation on a plane

HIGHLY CONFIDENTIAL

trip back from New York , he really presented no realistic options and there was no opening, only more discussion of the same kinds of things, and more negotiations.

I am Panglossian. I am hopeful the "this is the best of all possible worlds". And I am hopeful that by February all will have worked and be fine. But in the meantime, I am quite convinced it will not, and want you to know we are facing corporate change. I believe that by February something will come up that will allow Michael to leave and "save face". I hope so. And if I were to "be hit by that truck", if I had to pick a new president today, I might pick Bob Iger. He is certainly steadier than Michael Ovitz by a thousand fold. He will not get the company into trouble. He is a corporate executive. He is not an enlighten or brilliantly creative man, but with a strong board, he absolutely could do the job. He will want to keep the board out of his way just as he tries and succeeds in keeping out Tom Murphy and Dan Burke . I have found that stupid and weak. They could be great help to him, but he resents them for some reason. But if it is clear and the rules are clean, he will follow them. All the Board has to do it create spending limits on movies and television shows and series and purchases of any kind without their approval. The Board should approve all series commitments and all parks commitments. The Board should approval corporate spending over say \$25M. The Board would also probably be wise to up the number of meetings. But all of that is a source of another memo.

My conclusion. It is looking bad for Ovitz to continue being president past February. And should I not be around to oversee the selection of a new president or CEO, the Board would be wise in not naming him CEO or appointing a CEO that let Ovitz run the company. I think he would leave anyway and should. The results would be disastrous if he stayed. The company as we know it would change, not over time but immediately and immediately and immediately the next day and the next and the next. And he will sell

HIGHLY CONFIDENTIAL

himself hard to you, to the Board, to the Bases: well and convincingly for the job. I know you will not be fooled.

By the way, and last point. Should I not be around to participate in such a discussion, I would appreciate Michael not knowing what my recommendation was. If I am around, then that is not a problem, but I do not want my wife or children to be subject to corporate politics going forward.

We should all discuss this soon.

Michael

HIGHLY CONFIDENTIAL