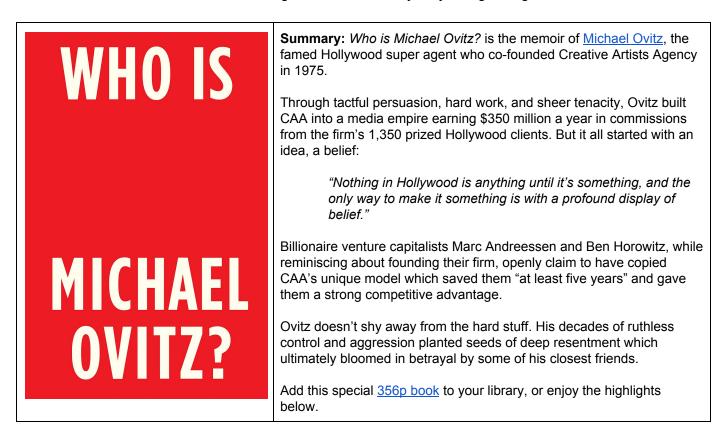
Favorite Quote:

"Those whom the gods wish to destroy they first give a gift."



"I felt you could never be too paranoid, because our competitors were out to get us and our clients were weak and easily wooed."



Chapter 1: Is the Godfather Here?

Overview: Michael Ovitz tells the story of tracking David Letterman during the Johnny Carson days and through the tumultuous battle for the primetime spot vs. Jay Leno. To sign and place Letterman, Ovitz created a 7-person deal team to consolidate the ratings data while applying *game theory* so they were prepared for every possible scenario. We get insights into the legal strategy on the Letterman deal, e.g. adding a \$50m penalty which CBS agreed to pay if Letterman failed to get the 11:30pm slot promised. The deal went through and *Late Show with David Letterman* was a tremendous success (in addition to being another venue for promoting CAA new releases).



- "Our focus on first impressions won us many new clients before we'd uttered a word."
- "Gigantic offices are stupid and counterproductive."
- "Insincere flattery was actually more flattering than sincere flattery, because it was a tacit acknowledgement that I had power and had to be propitiated." [starting to smell the Hollywood]
- "It was a vital part of my self-representation no to reflexively pronounce as most agents did, but to address questions or difficulties by taking a beat, then saying, "I'm not sure about that," or "Let me look into it." I wanted it clear that I didn't just make shit up.
- We learn that Aspen is a frequent getaway for the Ovitz family and other Hollywood hot shots.

Chapter 2: The First Valley

Overview: "You can be better than your father," said grandmother to a young Michael Ovitz. We get a glimpse into a comfortable yet strained family dynamic run by Ovitz' father, a liquor salesman. In elementary school, little Ovitz is bullied relentlessly which appears to have left deep scars. He discovers motion pictures at nine years old due to proximity to Howard Hughes' RKO Pictures four blocks away. Enchantment ensures. Ovitz also learns early lessons about influence from junior high politics. His dad's connection though Little League lands him a job as a guide on a MCA lot working 14 hour days.

Ture

- "I absolutely hated that feeling of powerlessness, of cowering and being craven and hoping just to pass unnoticed. I couldn't bear it."
- "That formulation—*you're totally in or totally out*—became my mantra. It helped me enormously later. And it hurt me in equal measure, because it didn't allow for shades of gray. Most of life turns out to be in shades of gray."
- "Insecurity and ambition make a powerful cocktail."
- "I loved the book *Frank Capra: The Name Above the Title,* which explained how the famous director took his writers to Palm Springs for ten weeks and worked them until they had a script they could shoot."
- "And I loved reading about <u>Irving Thalberg</u>, "The Boy Wonder" who became the head of
 production at MGM at twenty-six. It gave me the idea that film could be a young person's game."
- On Lew Wasserman: "In 1950, when MCA insisted on half the net profits for Jimmy Stewart in a western called Winchester 73, it rewrote the rulebook. . . Cornering the market on movie stars, Lew swung decisive leverage to the talent and their representatives and helped finish off the old studio system."
- On timing: Ovitz married at 23 and started CAA at 29 with 4 colleagues from William Morris.

Chapter 3: Mail Man

Overview: Ovitz begins his agent career in the mailroom at William Morris Agency (WMA). To the head of personnel, Ovitz proposes that if he can't learn to be a full agent in 120 days (which usually takes 3-4 years), he'll give back all his pay (\$942 total @ \$55/week). Ovitz proves to be unique good at 1) working his ass off, and 2) becoming indispensable to all the right people. He is calculated, he is

manipulative—perfect for agenting. Ovitz learns about "packaging" a show (writer, director, performers) for a network and the agency gets 10%, e.g. \$1m per episode = \$100k for the agency per week.

- "You're investing in your life." [recruiting line inspired by his girlfriend Judy at the time]
- On alcohol (Ovitz rarely drinks): "I didn't like the feeling of losing control."
- "I noticed that projects grew out of ideas and that ideas came from writers. I had a special respect for the people who created new worlds from thin air."

Chapter 4: Good Cop / Bad Cop

Overview: Ovitz and his WMA colleagues began to ask two powerful words: *What if. . .?* He begins a lifelong relationship with Ron Meyer. *What if we could run a company of our own?* Ovitz and team begin to formulate their business principles and the revolt begins to feel real:

- 1. Equity split evenly
- 2. Big is better than boutique for leverage
- 3. All for one: share clients, serve them as a team
- 4. Tell the truth: candor at all times
- 5. Create work for clients, not just field offers.
- "In 1973, when I had brought in close to \$2 million in commissions on a weekly salary of \$400, William Morris had given me a \$7,500 bonus. In 1974, the agency's leaders recognized my seven pilots by upping my bonus to \$15,000, which they thought was handsome, given that all of us "could do better."
- "I was making \$45,000 a year, but I still owed William Morris \$15,000 for the down payment on my house in Sherman Oaks, in the Valley."
- On assessing their potential new venture: "... we had a list of about seventy-five names."
- "Two weeks later we scraped together \$100,000 by putting up our homes as collateral."
- "To launch with a statement, we had slashed our packaging commission from 10 percent to 6."
- "Don't ever think that what is, is—because it isn't. Never count on anybody or anything."
- "One of the strongest bonds Ron and I shared was a belief that any betrayal must be avenged."

Chapter 5: From Zero to One Million

Overview: arguably one of the best chapters on building CAA from zero to one. Each partner worked 14 hours days (8am-10pm), took 10+ meetings per day, and worked their asses off to earn their 10% commission. Their early ethics are tested: be a "flesh peddler" and make \$10k in the short-term, or advise the client that the proposed movie was crap and put their clients' long-term interests first? They chose the latter. Their business strategy was to establish leverage by acquiring massive scope of talent, starting with TV stars. Ovitz and company know how to "act as if": enviable reservations at La Scala (by tipping the maitre d'), Jaguars with vanity plates, houses in Brentwood, etc. They make no net profit for 3 years. Marty Baum joins in 1976 as a full ½ partner and opens doors in film. Through valuable referral sources like lawyers, they sign their first big star in Sean Connery.



- "But in a city of fantasy, a big show was essential."
- "I hated being pigeonholed as inferior."
- "I believed that nobody wants to be treated as just what they are. Everyone wants to feel encouraged to become even more than they are—to become the best version of themselves."
- "I asked to call him [literary agent Mort Janklow] every Thursday at 10am in case he had something for us. Mort could have set his watch by my calls. I kept at it for a year, every week, no matter where I was, before he gave us a novel called *Chiefs*, a police drama set in the south."
- "He especially got a kick out of the "bumper" credits we'd negotiated. At each commercial break the screen read "James Clavell's *Shogun.*" It was one of our earliest efforts to brand our clients."
- "James had persuaded Paramount to allow him to deliver our \$1 million package commission [at a McDonald's restaurant]. It was by far the biggest payday we'd ever had—nearly \$3 million in today's money."
- "To get actors, we needed directors because directors had the stars in their pockets: Sydney Pollack had Redford and Martin Scorcese had De Niro."

Chapter 6: Car Phones

Overview: he signs Dustin Hoffman by offering him 6 months free. Ovitz courts <u>Sydney Pollack</u> for 7 years and finally signs him in 1981. From 1979 to 1982 they diversify their income from 90% TV to 40% TV (60% film!). They buy out a retiring partner's shares (16.7%) for \$750k and Ovitz allocates more ownership to himself. This planted landmines of resentment that would detonate 16 years later.

• "Instead of feeling threatened or offended, he found my ambition refreshing—the sign of a true leader."

 "Agreeing to give Michael some of my own shares is the only professional regret I have in my life." —Bill Haber

Chapter 7: The Second Valley

Overview: the four commandments of CAA are:

- 1. Never lie to your clients or colleagues
- 2. Return every call by end of day (or at least have your assistant buy you a day's grace)
- 3. Follow up and don't leave people guessing: COMMUNICATE
- 4. Never bad-mouth the competition

Michael grows as a leaders and incorporates the philosophy of Sun Tzu's *The Art of War* into the CAA approach by emphasizing 1) loyalty, 2) teamwork, 3) complete information as a key to decision making. Ovitz is also starting a family around this time: firstborn Chris at 33, Kimberly at 36, and Eric at 39. Ovitz is shanghai'd for a Manhattan night on the town with Bill Murray and Hunter S. Thompson. Later, *Tootsie* grossed \$177 million in North America, the second biggest movie of the year behind E.T. In this chapter, Ovitz references <u>Robert's Rules</u>

Quotes

- "I believed momentum was everything—once a company relaxed, it was done for."
- "I was obsessed with the Spartan phalanx, the idea that you were only as strong as the colleague on your left."
- "I drove our people hard to sign at least two clients a week, and after we got up and running our signing machinery was a thing of beauty."
- "The killer move, as you got up from the table or were handing your parking ticket to the valey, was to say, "Why don't you come in and meet our crew?"
- "Our point of differentiation was that a client got regular phone calls from not one but several agents—all coordinated among the client's team with the interoffice memos we called buck slips."
- "When Mike Nichols came to us from ICM, his salary increased overnight from \$2 million to \$5 million. He called to ask how I'd done it, and I said, "That is our minimum price for a superstar director, and you are a superstar director."
- "... we'd make more money from Aaron Spelling in the eighties and nineties than from any other client."
- "Ghostbusters became the 2nd biggest film of the year, grossing more than \$295m worldwide. As
 our clients collectively got 30 percent of the gross, CAA got 3 percent of the gross; over the
 years, as TV and VHS revenues came in, we'd make more than \$30 million from that film alone.

Chapter 8: P.L.

Overview: Ovitz forms lasting relationships with Paul "P.L." Newman (affectionately known as P.L. to his inner circle, standing for "Paul Leonard," his first and middle names) and Robert "Bob" Redford. We get a

glimpse into the Hollywood highlight when Sydney Pollack charters a Learjet 35 for P.L to fly with Ovitz to Sears Point to drive race cars, and pulling a barrel roll mid-flight on the way back.



- "People still wrote letters in longhand then, and their impact was underrated. I often sent out more than a thousand letters a year, commemorating every opening of a film (I'd send along a lucky horseshoe from our gift office), award nomination, or award—and those were just the rote letters."
- "By the mid eighties, we'd made all our directors three-million-dollar-guys—there weren't any women directing then, unfortunately—and five years after that we established our top directors as five-million-dollar guys."

Chapter 9: No Pressure

Overview: Ovitz develops a taste for art in Picasso, Jasper Johns, Jackson Pollock. His knowledge and appreciation for art helps him connect with directors like Michael Mann whom he called after seeing *Last of the Mohicans* which Ovitz described to Mann as a brilliant inspiration in the vein of <u>Albert Bierstadt</u>. Ovitz expands his charitable efforts to UCLA and helps raise \$2 million with the added benefit of being able to fastrack clients to world-class medical care. Meanwhile, CAA is cranking out 30 package deals per year earning 10% of their clients' 20-30% of the gross.



- "Families always want you to stay the person they think you were."
- In this chapter Ovitz tells the story of doing a deal on a napkin with Lew Erlicht (president of ABC Entertainment) to get Wolfgang Puck his start on *Good Morning America*.
- "My recurring nightmare was a big public event where the name of a client or potential client might escape me. I took to having one or two assistants study the guilds' mug shots and shadow me, warning me sotto voce when they spotted a relevant face."
- "It was hard for me to let up: buy 1985 I was taking home more than a million dollars a year, and additional wealth and power seemed just around the corner."

Chapter 10: Showtime

Overview: really didn't take away too much from this chapter.

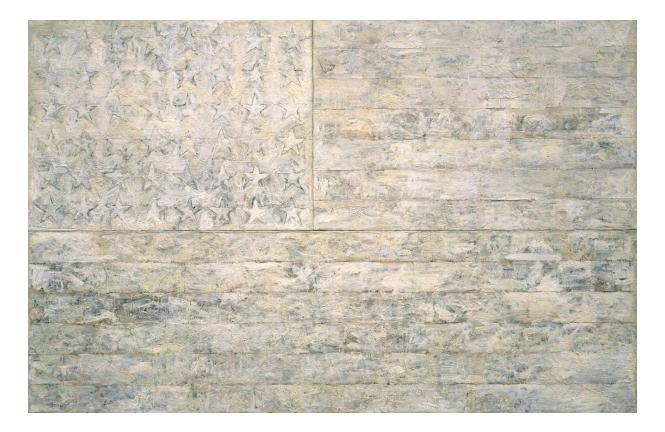
Chapter 11: Dinosaurs and Foot Soldiers

Overview: Ovitz builds a relationship with <u>Michael Crichton</u> - "He was six foot eight, shy, and such a polymath that I felt smarter after talking to him for just a few minutes. It was the beginning of what would later become a beautiful friendship." This gets him access to Lynn Nesbit (Janklow & Nesbit) who would

go on the build one of the largest literary agencies in the world. Together with Spielberg, they begin working on *Jurassic Park* which went on to gross over \$1 billion dollars.



- "My overriding fear was that if one big client left for good, it would embolden ten to follow, and then a hundred."
- "ER went on to win 23 Emmys over fifteen seasons, the longest run for a prime-time medical drama in history."
- <u>Teddy Forstmann</u> [private equity billionaire] and Ovitz become friends and Ovitz serves on 5 of his boards.
- "Michael [Crichton] and I shared the same taste in art: Johns, Lichtenstein, Rauschenberg, and Claes Oldenburg. Michael considered Johns the definitive American painter."



Chapter 12: Wrist Locks

Overview: Ovitz shares his fascination with early childhood gymnastics and martial arts. He taught himself budo. His ambitions prove to know no limits as he begins to play on an even larger scale: massive corporate deal-making with the likes of Sony and <u>Herb Allen</u> of Allen & Company (Hollywood's investment house of choice) who invites him to the <u>notorious Sun Valley getaway</u> which "worked wonders for my networking, and my image." Ovitz advises the transaction of Sony buying Columbia (terrible deal; later became a \$3.4 billion write-off) and CAA makes \$10 million.

- "CAA came to subscribe to <u>Nemawashi</u>, the Japanese style of bottom-up consensus.
- "Herb Allen was supremely loyal. He never forgot a birthday and gathered old college pals to dinner and on biking trips."
- On Japan: "I love order, so this was basically my dream country."



Chapter 13: Brink's Truck

Overview: Ovitz gets deep in Japan with Matsushita and travels to Osaka every 1-2 weeks to help with the \$6.5 billion acquisition of MCA which earned him a check for \$135 million to distribute. After paying the brokers and consultants, he was left with \$60 million: \$10m for Ron, \$10m for Bill, \$1-3m for each deal team member, and the rest for Ovitz (~\$30m).

- "In all our dealings in Japan we never had a written contract. Our attitude was, *we know you will do the honorable thing.*"
- "In Hollywood, where people don't know Goldman Sachs from Saks Fifth Avenue, everyone was dumbstruck that a talent agency could earn that kind of fee, let alone arrange and execute a deal of that magnitude."
- Reference to Felix Rohatyn as ferociously intelligent.

Chapter 14: Picasso

Overview: Ovitz shares the storied history of MGM in the late 1980s involving Kirk Kerkorian and Ted Turner, and later Giancarlo Parretti, a "pop-up" in Hollywood, who bought MGM—with financing from Credit Lyonnais—for \$1.3 billion and two years later lost \$500 million amid art and securities fraud in 1992. Where others saw peril, Ovitz envisioned opportunity for CAA and drew inspiration from First Artists and The Directors Company to become the seventh major production company (this didn't materialize due to conflict of interest vs. the guilds and CAA clients). Ovitz meets with Francois Gille, the Managing Director of Credit Lyonnais, and offers outlier advice: invest \$150 million to make more movies, and avoid the public relations fire of firing thousands of Americans and dismantling MGM.



- "I stayed impassive, but my heart leaped. In any multiplayer contest, you want to be the outlier. I told Gille, "Everyone you've met with is in the business of selling assets. But I'm in the business of building assets, and I think you are too.
- ICM tries to poach a top CAA agent (Rick Nicita) by offering Rick \$1 million per year—only to find out that Rick was making \$3 million per year. Takeaway: Ovitz was paying top performers 3x the top market rate.
- The message from this chapter Ovitz is driving home is that 1) his work meaningfully improved the trajectory of moribound MGM, and 2) it worked out for everyone, even competitors, when Sony-led partnership bought MGM for \$5 billion in 2005.

Chapter 15: Always Coca-Cola

Overview: thanks to the Allens & Company conference, Ovitz had met Coca-Cola's top leadership right before Coke acquired Columbia Pictures in 1982 (presumable as a marketing and distribution channel). They experimented with "product placement," a trend they strongly influenced. Fast-forward to 1990, Coke sold Columbia to Sony and Ovitz gets an opportunity to showcase his market consulting skills to Coca-Cola to stave off Pepsi who, thanks to Phil Dusenberry, had positioned Pepsi as the drink of the young. With rigorous research and contrarian strategy, Ovitz leads CAA to deliver personalized commercials for ¹/₃ the price of McCann Erikson, the stale incumbent.



- "I called Quincy Jones and asked him for the best unknown song-writer he knew. He gave me a twofer, the team of Jon Nettlesey and Terry Coffey."
- The creative process for the commercial spots started with 300 raw concepts, down to 150 storyboards (scenes drawn in sequence), to 24 spots they'd present to Coke.
 - What was unique? Seasonal commercials, demographic tailoring, and dialogue-free.
- On McCann Erikson's poor showing at the Coca-Cola bake off: "Ten minutes later, two dozen disheveled ad people filed in. Next to our lean, mean team, they were corporate bloat personified: a mistake. After flying commercial out of JFK at 7:00 that morning, they were hungry, tired, wrinkled, and generally out of sorts. Not springing for a night's lodging in Atlanta: another mistake."
- "Inspired by the bright primary colors in *Bauhaus Stairway,* the Roy Lichtenstein in CAA's atrium, our polar bear vignettes became and animation landmark."
- On negotiating with Coca-Cola for \$21 million more: "Peter Sealey sent me a check for \$10 million for the ads. Not bad, but I returned the check with a Post-it Note attached: "Pete. Let's discuss this." We did, and then I called Don and Robert. I was friendly but unrelenting, and Peter finally sent me a new check for \$31 million."
- "In retrospect, I should have just gone ahead with the J. Walter Thompson plan as a minority shareholder. CAA would take 49%, Teddy [Forstmann] 51 percent, and I'd ease into the majority ownership later. It's exactly the move Ari Emanuel and Patrick Whitesell made recently at <u>William</u> <u>Morris Endeavor</u>; they're now producing ads.

Chapter 16: I'm Not Afraid of You

Overview: interesting chapter about doing favors for politicians, e.g. Bill Clinton, for whom Ovitz raises money, and later, in return for the favor, helps Ovitz, with the help of Al Gore, to allocate \$400 million in FEMA funding to UCLA hospital after the 1993 earthquake in LA. Meanwhile, the relationships between top CAA executives (Ron, Bill, etc) begin to fray. Ovitz consults on large corporate M&A, e.g. Matsushita sold MCA to Seagram for \$5.7 billion.

MCA Seagram

Matsushita®

- "The Americans took the money (Lew cleared \$352 million in preferred stock from the deal; Sid, \$92 million), but kept running MCA like they owned the place. Matshushita's \$6 billion bought it only contempt."
- "In November of 1993, ten months after he was inaugurated, Bill Clinton asked me to host a fund-raiser for the Democratic National Committee, which was running out of money. Clinton himself would be the star attraction."

Chapter 17: Gone

Overview: the drone of constant business begins to wear on Ovitz (and Ron). They envy the leisure of the buy side. His best friend and partner, Ron Meyer, betrays him by taking a top job at MCA (a role Ovitz wanted). Ovitz later is offered the job of co-CEO of Disney alongside Michael Eisner.

- "I was tired of getting up a 6am and squeezing in a workout while on the phone with Europe. I was tired of rolling through 300 calls a day, talking till my throat was raw. I was tired of having lunches and dinners scheduled three months out. I was tired of flying 600 hours a year, the equivalent of one work week a month. I was tired of owning six tuxedos for the thirty obligatory events between November 1 and Christmas. I was tired of returning calls till 7pm, going to dinner till 10, coming home to a mountain of pink message slips, calling Japan till midnight—and starting all over again six hours later."
- "Reality television, which William Morris dominated, was crowding out our scripted programs. Fewer movies were produced each year, reducing demand for our clients."
- "In truth I had always been faintly embarrassed to be an agent. As much as CAA had professionalized our field, it would never be a noble calling."
- "My master plan was to put in five years at a public company, then move on to a third act in public service and charity work. I dreamed of using my negotiating skills for the government. . ."

Chapter 18: Number Two

Overview: upon joining Disney under Eisner, Ovitz has a mutiny on his hands and the CFO and GC refuse to report to him (mostly because Eisner had scorched the earth with false promises). Ovitz attempts many viable corporate strategies, the majority of which are stonewalled by Eisner... who later fires him without cause.





- On becoming a C-level executive at a publicly-traded company and working with Eisner: "I new I faced a learning curve, but I had counted on my friend to support me in public and advise me in private."
- "In a big company you're defined by whom you report to and who reports to you. With Michael cutting me off from the board and boxing me in from the executives below, I felt pinioned from the start."
- "I flew to Tokyo to see Masayoshi Son, the head of the tech-focused SoftBank, about his minority stake in Yahoo, then the chief web portal. Based on the preliminary discussions with Eisner and other board members, I was plying a strategy to get Disney online."
- "Because my vulnerable spot, as Eisner knew, is my sense of dignity, his tactic was devastating. Humiliated, I left without another word.
- On mistakes with David Geffen: "I would have been wiser to befriend him and take his counsel—given his intellect and influence, that was an error in judgment."
- **On high-powered friends:** "Right after I got fired [from Disney], Teddy Forstmann called and said, "I want you to go on the board of Gulfstream," an aerospace company his equity firm owned. "It'll help you."

Overview: two years after Disney, Ovitz forms a production and management company, Artists Management Group (AMG), in 1999. They were five years early on a short-form mobile content thesis. Ovitz meets Ron Coway through Allen & Company who introduces him to Mac Andreessen which catalyzes Ovitz' involvement in tech venture capital (and he joins the LoudCloud board), along with Bill Campbell, another early influence. Ovitz moves to San Francisco and becomes a special advisor to a16z. Ovitz also meets Tamara Mellon, a love interest.

- His coaching to Ben Horowitz and Marc Andreessen who were forming a16z: "The idea that took was to offer a full menu of business services—a novel approach in venture, whose stars tend to be one-man bands who freelance out of larger firms.
- **Furthermore:** "In essence, the firm linked all the partners' networks and added specialists to strengthen the whole organism. No individual "owns" an account at Andreessen Horowitz; investments are chosen by joint approval of the general partners, with the entire staff having a say. Then the team provides in-house experts to assist its start-ups with recruitment, budgeting, operations, sales, publicity, IPO rollouts—whatever an entrepreneur might need."



- "I decided to study Silicon Valley the same way I'd studied the entertainment industry when I was twenty-three. I began networking, taking eight to ten meetings a day with founders and engineers."
 - Meets with Peter Thiel, Max Levchin, Kevin Systrom, Reid Hoffman, Mark Zuckerberg, Sheryl Sandberg, Eddy Cue, Brian Chesky
 - 377 meetings in that first year alone.
- Networks with VCs too:
 - Michael Abramson, Sequoia
 - Josh Kushner, Thrive Capital
 - Steve Loughlin, Accel
 - Danny Rimer and Mike Volpi, Index Ventures
 - Quincy Smith, banker
 - Joe Lonsdale, Formation 8
 - Brian Singerman, Founders Fund
- "Young people make their own rules."

- "There are no manners here, just brain challenges. It's about getting to the truth of the idea any way you can." —John Donahoe to Ovitz
- Ovitz is asked by Peter Thiel to help Alex Karp expand beyond government to business.
- Invests in a mortgage startup called <u>Blend</u>?
- "I am now working with at least 25 other companies, and new ones get in touch every week. I find that my "value add," as they say, is advising on how to monetize a technology, how to market it, and how to avoid some of the common pitfalls I fell into at CAA."
 - Example of pitfalls:
 - Short-sided hires
 - Needlessly alienating a rival who might become a collaborator
 - Not planning for the long term
- **On thinking big:** "If you aim at the target, you lose all your power. You have to hit *through* the target to really smash it." [in conversation with AirBnB founder]

Chapter 20: Gentlemen

Overview: Ovitz makes up with Ron Meyer over lunch at Ovitz' restaurant, Hamasaku in Westwood. Ovitz suffers spine health issues.

- "The doctors told me that 90 percent of the reason my spine was so damaged was that I'd exercised every day of my life, never giving my body any rest, and absorbed all those punishing hits and falls in martial arts."
- On founding CAA: "There was no one else who understood what we were doing or how we were doing it except each other." —Ron Meyer
- CAA building is now empty; Sony leased it from Ovitz for 20 years.
- "In the silence, I discovered that the only thing I really miss about the agency business was the camaraderie: my comrades and friends and the passionate way we spent our lives together. I miss the people."

