



Ron Olson

Munger, Tolles & Olson LLP 350 South Grand Avenue
Los Angeles, CA 90071

Re: WGA Proposal and Renewal of Information Request

Dear Ron:

Throughout this 30-month process writers and the Guild have never wavered from the position that addressing agency conflicts includes the conflicts of investors and owners of the agency, particularly private equity investors. To that end, in response to your interest in signing the ICM deal, we requested necessary and relevant information and documents regarding the relationships among the agency, its investors and owners and any affiliated production entities. The summary information that you have provided thus far only partially responds to our request and is therefore insufficient. If you remain interested in proceeding, we must have the information that we've requested, and we reiterate our need for all these relevant documents. To facilitate this process, and to address your stated concerns, we've worked with you over the past few weeks and agreed in writing to treat the information received confidentially.

We want to stress that the existing franchise agreement binds all of your agency's owners and investors. Being a shareholder in a fiduciary entity necessarily comes with obligations to abide by fiduciary law. The franchise agreement is already explicit in binding agency shareholders to its terms, which is why we are requesting information on any conflicting investments by those entities. This is a central point, not a peripheral one.

To become franchised with the Guild, the agency and its investors and owners must demonstrate to the WGA that they have properly divested from any affiliate production entity where an ownership or financial interest exceeds 20%. In addition, pre-existing projects will not be exempt from the 20% limitation on financial interests. Finally, third party monitoring must be used to ensure compliance with the necessary protections that we require in order for your agency to sign the franchise agreement. Since we are agreeing not to directly audit your business, we must have a way to verify that you will remain compliant with the divestment terms. We'll also need appropriate sanctions spelled out in the event of noncompliance.

Attached please find a document detailing the information and documents the Guild continues to require as well as our proposal for a sideletter to the franchise agreement addressing the unique conflicts of CAA. If you wish to discuss these proposals, we are available to meet.

Best regards,

/s/ David J. Young
Executive Director
Writers Guild of America, West, Inc.

ATTACHMENT

On September 30, 2020, WGA requested several categories of information to evaluate and respond to CAA's September 14 proposal to modify Section 3.B.1. of the Franchise Agreement. To date, CAA has provided partially responsive information, much of which is publicly available. Specifically, CAA provided an organization chart on October 8 and a summary of the chart's contents. CAA did not provide the following:

- any information about Affiliate Production Entities owned by CAA's investors or affiliates, such as TPG, with the exception of WIIP **[Request 1]**;
- agreements with CAA's investors (investment agreements, stockholder agreements, operating agreements, management services agreements) **[Request 2]**;
- agreements between any Affiliate Production Entity and any of the direct or indirect owners of the Affiliate Production Entity or any affiliate of any such owner **[Request 3]**; and
- Copies of the certificate of incorporation and bylaws (or similar organizational documents with different names) of any Affiliate Production Entity and any stockholder or other agreement(s) in which the direct or indirect owners of the Affiliate Production Entity have been granted any governance or other rights with respect to the Affiliate Production Entity **[Request 4]**.

The WGA still needs the foregoing information in order to conduct these negotiations, and requests that CAA provide the remaining responsive documents as soon as practicable.

CAA has indicated in principle that the terms of the ICM/UTA franchise agreement ("Franchise Agreement") are acceptable to it. What remains to be negotiated, in the Guild's view, are the steps CAA will take to bring itself into compliance with the terms of the existing Franchise Agreement prior to signing. Since the required steps will be transitional in nature, and will be unique to CAA in light of its current corporate structure, we believe that our understanding should be memorialized in a separate agreement or side letter, rather than as a modification of the Franchise Agreement itself.

We have reviewed the proposal made to us in the September 14 redline and find it substantively unacceptable and incomplete. You have requested that we respond to this proposal. In an effort to move the negotiations forward, we believe that any side letter agreement must embody the following points:

- **The limitations in the Franchise Agreement on ownership of an "Affiliate Production Entity" should apply to all CAA's parent entities, investors, shareholders, and affiliates.** Section 2 of the Franchise Agreement—agreed to by UTA and ICM, and every other franchised agency—establishes that the Agency's "partners, principals, and shareholders" are bound to the Franchise Agreement. We cannot agree to exempt CAA's owners from the regulations that protect writers against impermissible conflicts of interest.
- **Prior to becoming franchised, CAA and its owners must demonstrate to the WGA that they have properly divested their ownership or financial interests in Affiliate**

Production Entities. As of the date it becomes franchised, CAA and its owners will not be permitted to have more than a 20% non-controlling ownership or other financial interest in an Affiliate Production Entity.

- **Pre-existing projects are not exempt from the limitations on financial interests.** Section 3.B.1.'s limitations apply to ownership or other financial interests in Affiliate Production Entities that existed prior to the effective date of the Franchise Agreement. CAA and its owners may not circumvent Section 3.B.1. by retaining a profit participation or other financial interest beyond 20% in connection with projects initiated or in development before the effective date of the Franchise Agreement.
- **CAA's restructuring to comply with the franchise agreement must be subject to third-party oversight and verification.** CAA's current corporate structure is complex and the process of restructuring to comply with the requirements of the Franchise Agreement must be subject to transparency and third party verification. We propose the appointment of a third-party monitor, who will have authority to review documentation related to the restructuring and to impose conditions or sanctions in the event of noncompliance.

The foregoing proposals are conceptual in nature and not intended to be in contract language. The Guild reserves the right to make additional or different proposals as negotiations progress.