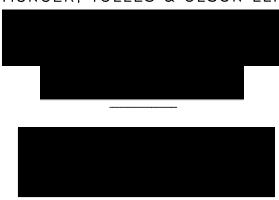
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March 7, 2011

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WRITER'S DIRECT LINE

E, LEROY TOLLES

A PROFESSIONAL CORPORATION

BY E-MAIL AND MESSENGER

Martin D. Singer Lavely & Singer

Re: Charlie Sheen/Two and a Half Men

Dear Mr. Singer:

We represent Warner Bros. Television ("Warner Bros.") in this matter. This letter responds to your correspondence dated February 28 and March 2, 2011.

At the outset, let us state the obvious: Your client has been engaged in dangerously self-destructive conduct and appears to be very ill. For months before the suspension of production, Mr. Sheen's erratic behavior escalated while his condition deteriorated. His declining condition undermined the production in numerous and significant ways. Now, the entire world knows Mr. Sheen's condition from his alarming outbursts over just the last few weeks. Warner Bros., CBS, and Chuck Lorre have done everything within their power to get Mr. Sheen the help he so badly and obviously needs—entreating his family and representatives; visiting him at home; offering to rearrange production schedules to accommodate his treatment; and even making an airplane available to take him to a rehabilitation clinic before he reneged on his commitment to enter such a facility.

In halting production of *Two and a Half Men* (the "Show") for the remainder of the season and suspending Mr. Sheen's employment on the Show, Warner Bros. took the only responsible action open to it—morally and legally—in these painful circumstances. Warner Bros. would not, could not, and should not attempt to continue "business as usual" while Mr. Sheen destroys himself as the world watches.

Your response to the actions taken by those who have tried to save Mr. Sheen is eight pages of diatribe and threats of litigation. Much of your tirade is directed at Mr. Lorre, who ironically has worked tirelessly trying to convince Mr. Sheen to seek help before he self-destructed. The balance of this letter responds to your hyperbole with the facts. What Warner Bros. sincerely hopes is that you, and others who are close to Mr. Sheen, will focus your energies on what no one so far has been able to do: get your client the sustained, rigorous and effective treatment that he so urgently needs.

In light of the circumstances summarized below, Warner Bros. is exercising its rights to terminate its Agreement with Mr. Sheen. A notice of termination is enclosed.

A. Mr. Sheen's Deteriorating Condition And Escalating Erratic Conduct.

Your letters paint a picture of Mr. Sheen's condition and conduct that has no connection to reality. Let us set the record straight.

The need to suspend and now to terminate Mr. Sheen's agreement is not a step taken lightly. Warner Bros., CBS and Chuck Lorre made great efforts over the years to continue production of the Show despite the off-camera behavior of Mr. Sheen, beginning with the extremely public divorce from Denise Richards and the resulting inflammatory court documents filed by Ms. Richards, through the Aspen incident in December 2009 and the Plaza Hotel incident in October 2010. While it was not anywhere close to an ideal working situation, Warner Bros. and CBS as well as Mr. Lorre continued to make accommodations for the off-camera (yet very public) aspects of Mr. Sheen's life. At each step, Warner Bros., CBS and Mr. Lorre expressed their wholehearted support for Mr. Sheen and concern for his health and wellbeing.

However, the situation took a dramatic turn for the worse in January and February of this year, when Mr. Sheen's statements, conduct and condition prevented him from performing his essential duties and so undermined the ability of Warner Bros. and Mr. Lorre to produce the Show that suspension and termination were required. As explained below, this inability to perform the essential duties of his position included Mr. Sheen's physical appearance, inability to deliver lines, inability to collaborate creatively with staff and crew, inability to work with the executive producers, inflammatory comments poisoning key working relationships, and frustration of the Show's creative environment by the public spectacle of his self-inflicted disintegration.

When Warner Bros. negotiated the current agreement dated May 17, 2010 with Mr. Sheen (the "Agreement"), he had voluntarily entered a rehabilitation facility and was under

professional treatment for his drug and alcohol abuse. Warner Bros. tried to facilitate Mr. Sheen's rehabilitation, giving him time off from the Show so he could get the help he needed. Mr. Sheen's commitment to rehabilitation and assurances that he was serious about turning his life around were critical in convincing Warner Bros. to renew Mr. Sheen's contract. Initially, after Mr. Sheen completed his rehabilitation, there were hopes that the treatment had been effective, and that Mr. Sheen could overcome his addiction.

Regrettably, Mr. Sheen failed to continue with his rehabilitation program. The result has been a series of well-chronicled and increasingly erratic outbursts that have culminated with Mr. Sheen's public tirades of the last few weeks. The recent history, which your letters gloss over, includes the following:

Last October, Mr. Sheen was involved in a highly publicized and disturbing rampage at the Plaza Hotel in New York. As reported, a paid escort in Mr. Sheen's hotel room called police after Mr. Sheen allegedly flew into a rage, trashed the hotel room and physically threatened her. The woman apparently locked herself in a bathroom to protect herself from Mr. Sheen. It is reported that Mr. Sheen was under the influence of cocaine and/or alcohol at the time, and the police gave him the option of going to jail or the hospital. He chose the hospital. ¹

Mr. Sheen denied any wrong-doing following the Plaza Hotel incident. Nevertheless, Warner executives and Show personnel were understandably concerned that Mr. Sheen had apparently abandoned his attempts at rehabilitation and once again was engaging in reckless and dangerous conduct that could pose serious health and safety risks. Mr. Sheen's downward spiral continued to accelerate. When Mr. Sheen returned from Christmas hiatus, he had lost a large amount of weight—more than 20 pounds, according to Show personnel. He appeared to be using drugs heavily. Warner executives and Mr. Lorre, among others, told Mr. Sheen and his representatives that Mr. Sheen urgently needed treatment and was putting his life at risk. Mr. Lorre also reached out to Mr. Sheen's family and friends in an effort to get him help, without success. Mr. Sheen, while admitting he had lost weight, denied having any problems.

In January 2011, Mr. Sheen went on at least one trip to Las Vegas, where he reportedly consumed substantial amounts of cocaine and alcohol. Press reports described the trip as a three-day bender, and noted that Mr. Sheen was seen drinking the morning of his return, January 11—the same day he was scheduled to begin rehearsing that week's episode of the Show. Mr. Sheen was late to the set, having come directly from the airport, and he missed the next day's rehearsal altogether. Mr. Sheen was late again to rehearsal on January 13 and 14.

¹ Mr. Sheen's publicist, Stan Rosenfield, reported that Mr. Sheen had suffered an "allergic reaction." Although he did not publicly disavow that statement at the time, Mr. Sheen recently said that had Mr. Rosenfield conferred with him, "I probably could have come up with something better." On February 28, 2011, Mr. Rosenfield resigned as Mr. Sheen's publicist, stating ". . . I care about him very much, however, at this time, I'm unable to work effectively as his publicist"

² Mr. Sheen's contemptuous and dismissive views of his rehearsal obligations are reflected in recent public statements, such as, "I missed practice. Come on guys, we're talking about practice."

You claim that Mr. Sheen was turning in "brilliant" performances during this time. Not true. As outtakes of the filming show, Mr. Sheen had difficulty remembering his lines and hitting his marks. His conduct and condition created substantial tensions on the set. Mr. Sheen conceded in one or more of his numerous recent interviews that he sometimes showed up to work after not having slept and needed to move his mark to accommodate his need to "lean" on something, for balance. These few examples all confirm Mr. Sheen's rapid physical and mental deterioration resulting in a failure to perform his essential duties.

As bad as all this was, the worst was yet to come. In the early morning of January 27, Mr. Sheen was rushed to the hospital by ambulance after a neighbor made a 911 call. Several persons present at Mr. Sheen's home reported that Mr. Sheen had engaged in heavy drinking and drug usage during a "marathon party" that had lasted two days straight. According to press reports, a briefcase full of cocaine had been delivered to Mr. Sheen's home. Mr. Sheen recently stated in an interview that the last time he used drugs, he "probably took more than anybody could survive. I was banging seven gram rocks [of cocaine] and finishing them. That's the way I roll." This admission of drug use by Mr. Sheen corroborated the fears of Warner Bros., CBS, Mr. Lorre, and others that Mr. Sheen was in full relapse for his addictions.

Warner executives and Mr. Lorre could see that Mr. Sheen's drug and alcohol abuse was not only affecting his ability to work on the Show, but endangering his life. Mr. Lorre thought that Mr. Sheen was on a life threatening descent and felt he could not continue to work on the Show while watching Mr. Sheen self-destruct. The vanity cards you cite (several of which Mr. Sheen himself approved) reflect Mr. Lorre's growing concern and frustration with Mr. Sheen's inability or unwillingness to acknowledge his serious problems and to seek help.³

Executives at Warner and CBS attempted once again to intervene directly with Mr. Sheen, in order to convince him to get professional help for his condition. Bruce Rosenblum, the President of Warner Bros. Television Group, and Leslie Moonves, the President and CEO of CBS, personally visited Mr. Sheen in his home on January 28, just after he left the hospital. They told him that they were profoundly concerned for his health, safety and well-being; that he could not continue on his present path; and that they were shutting down production temporarily so that he could enter a rehabilitation facility. Mr. Sheen agreed that he would enter a rehabilitation facility the next day. Warner Bros. had an airplane waiting to take him to such a facility. Warner Bros. also placed the Show on hiatus to provide Mr. Sheen with an opportunity to receive professional treatment.

Notwithstanding his agreement to enter a rehabilitation facility, Mr. Sheen refused to leave his home for treatment. He instead insisted that he would seek treatment there, in what he

³ Your generic references to Mr. Lorre as a "show runner" do not begin to describe Mr. Lorre's importance to the Show. Mr. Lorre is a co-creator of the Show, its head writer and creative heart. He is responsible for, among other things, developing characters (and material for them) and for the Show's overall direction. The Agreement specifically names Mr. Lorre as one of only three people whose failure to render services can reduce the number of guaranteed episodes. Hence, Mr. Sheen as well as Warner Bros. recognized that Mr. Lorre's services are essential to the Show's production.

later described as his own "Sober Valley Lodge." While disappointed and troubled by Mr. Sheen's decision, Mr. Rosenblum visited Mr. Sheen at his home at least twice to see how he was doing. Subsequently, Mr. Sheen publicly thanked Warner Bros. and CBS—and in particular Mr. Moonves and Mr. Rosenblum—for their concern and support.

Within a couple of weeks, however, Mr. Sheen announced that he was ready to return to work. As Mr. Sheen was aware, some lead time was required to restart production and so it was scheduled to resume February 28. Warner executives requested several times that Mr. Sheen's representatives send a letter from Mr. Sheen's doctor explaining his diagnosis, course of treatment and prognosis, and certifying that Mr. Sheen could return to work on February 28. No such letter was provided. Subsequently, Warner Bros. learned that Mr. Sheen had apparently fired his sobriety coach. Moreover, Mr. Sheen recently declared he had self-healed his addictions by saying that he "blinked and cured [his] brain." Accordingly, it is not surprising that no professional apparently was willing to attest that Mr. Sheen had self-treated, self-healed and self-cured his brain of his addiction problems.

Later in February, Mr. Sheen traveled to the Bahamas. On or about February 24, 2011, just days before production was scheduled to resume, Mr. Sheen called into a radio show and, during an extended rant, exhibited conduct that made it clear he was in no condition to perform his duties as the comedic lead in the Show. Mr. Sheen's bizarre statements included the following:

- "I have closed my eyes and in a nano second, I cured myself from their ridiculous model of disease"
- "What they are not ready for are guys like you and I that are high priests. Vatican assassins-warlocks."
- "You have to hate everyone who is not your family because they are there to destroy your family."
- "My motto man, is that you either love or hate and you must do so violently."
- "I'm an F-18 bro and I will destroy you in the air."
- "I will deploy my ordinance to the ground."

In the same interview, Mr. Sheen referred to Thomas Jefferson as a "pussy," to women invited to his house as "turds," and to Alcoholics Anonymous as a "bootleg cult." He also attacked executives connected to the Show, calling them "fools and trolls" and stating that "he did not have time for these 'clowns'."

Mr. Sheen did not stop there. Later that day, he gave an interview in which he attacked Mr. Lorre personally, calling him, among other things, a "stupid, stupid little man and a pussy punk"; "piece of shit"; "turd" and "clown." Mr. Sheen also stated that he "violently hates" and

"owns" Mr. Lorre. Mr. Sheen publicly challenged Mr. Lorre to fight him in the "octagon." During his rants, Mr. Sheen also repeatedly and derogatorily referred to Mr. Lorre as "Haim Levine," apparently linking his personal "hatred" of Mr. Lorre to his Hebrew name. Many took this statement to be a comment on Mr. Lorre's Jewish heritage.

At that point, the totality of Mr. Sheen's condition, statements and escalating destructive behavior caused Warner Bros. to conclude that production in the 2010-2011 season was untenable. Warner Bros. could not produce the Show when its lead actor had become demonstrably unstable—publicly lashing out with verbal abuse and overt threats to its executives and the creative voice of the Show, as well as destroying the already fragile relationships with key Show personnel that were indispensable to the creative process behind the Show's success. Warner Bros. therefore suspended production for the 2010-2011 season.

In its notice of suspension to Mr. Sheen dated February 28, 2011, Warner Bros. requested from him any proposal for cure of his condition necessitating the suspension. No such proposal has been received. To the contrary, Mr. Sheen has responded with yet more outrageous statements, for example, claiming to be unimpaired by and invulnerable to his admittedly extreme cocaine usage, and otherwise lashing out at those who have tried to help him. It is clear that he has no intention of agreeing to the intensive evaluation and treatment that his condition requires. It is also clear he does not believe he has a problem and that he will continue to conduct himself in a destructive manner.

Accordingly, Warner Bros. has chosen to terminate the Agreement in accordance with its terms, effective today.

B. Warner Bros. Has No Obligation To Pay Mr. Sheen For The Cancelled Episodes Under The Parties' Agreement.

You do not and cannot dispute that the Agreement gives Warner Bros. the absolute right to suspend or terminate production (Standard Terms & Conditions, ¶ 4). You claim, however, that the Agreement requires Warner Bros. to pay Mr. Sheen for episodes that his condition and conduct caused to be canceled. That is wrong. The facts recounted above (and others) clearly show that Warner Bros. had the right to suspend production without further payment to Mr. Sheen for the cancelled episodes.

As an initial matter, without Mr. Lorre's participation in the Show, CBS is not required to accept additional episodes. Accordingly, under the Agreement, Mr. Sheen's guaranteed number of episodes is reduced by the actual number of episodes for which production and/or delivery was so prevented.

In any event, Warner Bros. is entitled to suspend Mr. Sheen's employment under the Agreement due to his "Incapacity" under Section 12 of the Standard Terms and Conditions. "Incapacity" is defined in the Agreement as including (but not limited to) "any physical or mental disabilities, which due to the unique nature of Performer's Obligations, are not subject to

reasonable accommodation and which render Performer unable to perform the essential duties of Performer's position" Examples of Incapacity include, but are not limited to, ". . . any material change in Performer's appearance or other attributes."

The facts establish that there was a serious material change in Mr. Sheen's attributes that rendered him unwilling or unable to perform his essential duties. As the lead actor in a successful television comedy, Mr. Sheen's essential duties encompass more than just showing up and delivering lines. One essential duty is working cooperatively and creatively with the other persons critical to the production. Mr. Sheen went from an actor who performed those duties to an individual whose self-destructive conduct resulted in his hospitalization, his inability to work at all for a period and the rapid erosion of the cooperative and creative process necessary to produce the Show.⁴

Indeed, Mr. Sheen's shocking behavior has continued since production was halted, further confirming such incapacity and/or a serious health condition. Apparently recognizing the damage he had done, Mr. Sheen went on a personal media blitz, appearing for at least seven interviews in just a few days. In those interviews, however, Mr. Sheen: (1) continued to attack individuals critical to the production of the Show; (2) made many more outrageous and outlandish statements; and (3) further revealed himself as having a serious health condition. For example, Mr. Sheen called Mr. Lorre a "contaminated little maggot," a "retarded zombie" and a "turd." He also stated that he wishes Mr. Lorre "nothing but pain" and that he has "defeated this earthworm with my words—imagine what I could have done with my fire breathing fists." Moreover, among many other bizarre comments, Mr. Sheen has proclaimed:

- "I am on a drug. It's called Charlie Sheen If you try it once you will die. Your face will melt off and your children will weep over your exploded body."
- "I have tiger blood" and "Adonis DNA."
- My brain "fires in a way that is . . . maybe not from this particular terrestrial realm."
- "I'm not bipolar but biwinning."
- "I'm tired of pretending I'm not a total bitchin' rock star from Mars."

A number of healthcare experts observing Mr. Sheen during these interviews have commented that he (1) appears to be "manic" and/or "bipolar;" (2) he suffers from a

⁴ Given the nature of Mr. Sheen's conduct, including the timing of his public statements about Mr. Lorre on the eve of the scheduled resumption of production, Warner Bros. reasonably believed that his conduct could not be cured within 48 hours and hence, no written notice of Incapacity or Default was required by the Agreement. Nonetheless, Warner Bros. gave written notice shortly thereafter on February 28, 2011.

"hypomanic" psychological state; (3) potentially poses a dangerous threat to himself and others; and (4) requires immediate professional care.⁵

Mr. Sheen's conduct also constitutes a Default under Section 13 of the Standard Terms & Conditions of the Agreement, permitting suspension of production and/or termination of the Agreement. Under Section 13, Mr. Sheen may not fail, refuse or neglect to "perform all of his material obligations to the best of his ability." However, it is clear that Mr. Sheen's condition, conduct and statements have made him unable to "perform all of his material obligations to the best of his ability" and have also adversely affected the production of the Show.

Mr. Sheen has also engaged in conduct that constitutes an Immediate Default under Section 13(b) of the Standard Terms & Conditions. For example, on February 25, 2011, when asked during an interview if the Series was over, Mr. Sheen responded:

"I mean if they want to roll back season nine, I gave them my word so I would do that, but not with the turds that are currently in place."

Subsequently, Mr. Sheen is reported to have declared that he would not return to the series unless there were some "radical changes." Mr. Sheen's refusal to work on season nine pursuant to the terms of his existing Agreement constitutes an Immediate Default under Section 13(b) of the Standard Terms and Conditions.

Finally, to the extent that Mr. Sheen contends that he is neither incapacitated or in default under the Agreement, he still is not entitled to be paid pursuant to Section 14 of the Agreement. Section 14 defines Force Majeure very broadly, and includes events by which the

"... Producer is prevented from or hampered or interrupted or interfered with in preparing or producing the Series or any Program thereof or in utilizing Performer's services hereunder... by reason of any other cause or causes of any similar nature or beyond our control, or by reason of the death, illness, disfigurement, Default or Incapacity of a member of the continuing principal cast of the series ... or any other essential personnel associated with the series which (in the exercise of Producer's sole but reasonable good faith discretion) (all of the foregoing are referred to as an event of Force Majeure) substantially prevents, hampers, interrupts or otherwise interferes with preparing or producing the Series"

Mr. Sheen's condition, conduct, admissions and statements described above are clearly beyond the control of Warner Bros. and have substantially hampered, interrupted and interfered

⁵ A ten (10) page list of cites to some of the Charlie Sheen media coverage beginning February 24, 2011 is attached to this letter.

with its preparation and production of the Series. Indeed, Warner Bros.' repeated attempts to persuade Mr. Sheen to seek help for his illness were either rejected by him and/or unsuccessful. Accordingly, he is not entitled to payment for the episodes cancelled due to his own conduct or condition.

C. Warner Bros. Is Entitled To Exercise Its Rights To Terminate The Agreement.

Under Section 12 of the Agreement, Warner Bros. has the right upon written notice to terminate the Agreement as a result of an uncured Incapacity or a "serious health condition" that lasts for more than ten consecutive days or fifteen days in the aggregate over any single production year.

Section 13 (a) on Default permits Warner Bros. to terminate the Agreement upon written notice at any time during a Default Suspension.⁶ In addition to the facts establishing a Default already discussed, Mr. Sheen also failed to perform his material obligations under Section 21 of the Standard Terms & Conditions relating to publicity. This Section provides, in relevant part, as follows:

"Any publicity, paid advertisements, press notices and other information with respect to the . . . Series shall be under Producer's sole control (excluding normal, incidental, non-derogatory publicity relating solely to Performer's involvement with the . . . Series). Therefore Performer shall not issue nor consent to, nor authorize any person or entity to release any such information without Producer's express prior written approval."

During Mr. Sheen's various rants and interviews he has made numerous derogatory public statements about the Series and/or persons essential to its production.⁷

Also, your letter dated March 2, 2011 states that "there is no morals clause of any kind in the contract." This is not correct. Section 19 of the Agreement provides in pertinent part:

"If Producer in its reasonable but good faith opinion believes Performer has committed an act which constitutes a felony offense involving moral turpitude under federal, state or local laws, or is indicted or convicted of any such offense, Producer shall have the right to delete the billing provided for in this Agreement from any

⁶ Under Section 13(b) no such notice is required for termination due to Mr. Sheen's Immediate Default caused by his public statements that he would not perform in season nine under the terms of the Agreement.

⁷ Additionally, Mr. Sheen has failed, refused or neglected to perform his material obligations to the best of his ability in a number of other ways. For example, his admitted extreme cocaine use violates his obligation under Section 22(b) of the Standard Terms & Conditions not to "engage in any extra-hazardous activity without Producer's prior written consent in each and every case." Similarly, the changes in Mr. Sheen's physical appearance violated his obligations under Section 24 of the Standard Terms & Conditions.

broadcast or other uses which are thereafter made of the episode(s) in which Performer appears. In addition, to the extent such event interferes with Performer's ability to fully and completely render all material services required hereunder or Producer's ability to fully exploit the Series, Producer shall have the right to treat such act as a default under the applicable provisions hereof."

There is ample evidence supporting Warner Bros. reasonable good faith opinion that Mr. Sheen has committed felony offenses involving moral turpitude (including but not limited to furnishing of cocaine to others as part of the self-destructive lifestyle he has described publicly) that have "interfere[d] with his ability to fully and completely render all material services required" under the Agreement.

Finally, under Section 14 on Force Majeure, Warner Bros. may terminate Mr. Sheen's employment where, as here, the Force Majeure event occurs during or interferes with the production period.

As described above, based on the totality of Mr. Sheen's statements, conduct and condition, including but not limited to his refusal to offer any cure in response to the notice of suspension, Warner Bros. is exercising its rights to terminate the Agreement under the provisions specified above.

D. Mr. Sheen's Conduct Has Caused Warner Bros. Substantial Damages.

Mr. Sheen's conduct constitutes breach of contract, breach of the covenant of good faith and fair dealing and tortious interference with Warner Bros.'s contracts with third parties, among other causes of action. Mr. Sheen's conduct has caused significant damage to Warner Bros. By way of example only, due to Mr. Sheen's conduct, Warner Bros. has lost ten episodes of the Show—two last year and eight for the remainder of this season. In any ensuing arbitration, Warner Bros. will seek recovery of all of its damages including lost revenue from the Show, and all other damages the law allows.

E. This Dispute Must Be Arbitrated.

As you know, Warner Bros. has submitted this dispute to arbitration before JAMS, as required by the Agreement. We are providing a copy of this letter to JAMS as part of that submission. We look forward to your cooperation with the arbitration process.

This letter is not intended to and does not foreclose or limit any other rights or remedies Warner Bros. has under the Agreement, and Warner Bros. expressly reserves all such rights and remedies.

V¢ry/truly yours,,

John W. Spiegel

JWS:cp

Cc by E-Mail and First Class U.S. Mail:

List of Charlie Sheen Media Coverage from 2/24/11

Tauber, Michelle and Elizabeth Leonard. "Charlie Sheen: Apocalypse Now." *People* March 14, 2011: 142.

Rice, Lynette. "The Sad, Strange Decline of Charlie Sheen." *Entertainment Weekly* March 11, 2011: 24.

http://www.ustream.tv/recorded/13150557 ("Torpedos of Truth")

http://www.thewrap.com/television/column-post/charlie-sheen-all-joking-aside-hementally-ill-25185 (medical expert)

http://www.huffingtonpost.com/dr-tian-dayton/charlie-sheen-not-emotion_b_830673.html (medical expert)

http://theweek.com/article/index/212689/diagnosing-charlie-sheen-5-theories (medical expert)

http://www.foxnews.com/entertainment/2011/03/03/hollywood-double-standards-charlie-sheen-judged-harshly/

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