

Time Warner CEO Jeffrey Bewkes Scans the Horizon of the Digital Evolution of Media

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Excerpts from Mr. Bewkes's Remarks

Audience of HBO: We have about a third of the citizens in the United States subscribing to HBO. They're paying us every month. We use that money to make what we hope is breakthrough programming.

State of the TV Industry: The health of the TV business across the world— it is one of the strongest businesses in the world. I'll start in America. Viewership's up. Number of people subscribing is up. Budgets for programming and the quality of programming are up dramatically. The earnings of all TV companies, producers, or networks, are up. And that same thing is true in every continent in the world. And most of them at higher levels even.

So TV is a bursting industry. The big thing about it, which is even more positive than that, is that television, certainly here, is going on the Internet...the things that you choose to watch are now available — whatever you want, whenever you want, on whatever device you want. And it's getting cheaper all the time. So the quality of it, the effectiveness of it, the ease of use are all going up. The price is going down. That's a fantastic business. It's basically — the Internet and television are the same thing.

Useful Changes in Federal Policy: What we think strongly is that — not just our government but the developed countries' government — we should support protection of intellectual property and try to do it in a way that is equal to how we support physical property. We should try to figure out how to do that, because intellectual property is increasingly important to maintaining the most important human activities on the planet....

And then the second thing that goes with that is, we ought to try to keep putting forth a free trade regime in the world. I know that means different things to different people and there's a lot to be worked out. But it's very much in the interest of freedom generally — political freedom, freedom of expression, prosperity and the ability to develop things that cure the material needs of the people on the planet to have property protected and not stolen and to have free trade rather than, you know, arbitrary political units distorting what people want to do.

AOL Merger: the AOL merger was such a big merger. It was, I think, the biggest merger in dollar terms, \$265 billion when it went through in 2000. And the AOL side, which was \$165 billion, ended up valued at less than \$10 billion which caused \$200 billion of write-offs the next year. A hundred billion, which is more than what Time Warner was worth before the merger, and then in the next couple of years after that, another \$30 billion. So, you know, that is not a success, I'd think you have to say. [Laughter.]

What happens when you're in a company where that happens — if you think of all the pressures and strains, good and bad behavior in a political organization like the company — you

throw that into it and it really tests everybody's personality and relationships and confidence. So from the management wondering, well, who the hell is responsible for this, up to the board, which came from both original companies — it puts a strain on everybody. So it's been interesting.

DAVID RUBENSTEIN: Welcome to members and guests of The Economic Club of Washington, here at the JW Marriott Washington, DC. I'm David Rubenstein, President of the Club. Welcome to everyone this evening.

Tonight we're very privileged to have the Chairman and CEO of Time Warner, Jeff Bewkes, with us. I want to thank Jeff for making time to see us. Jeff became the Chairman in 2009 and CEO in 2008, previously had been President and Chief Operating Officer of Time Warner, and rose up through the ranks there at Home Box Office, HBO. He joined HBO in 1979 and ultimately became the head of HBO during one of its most profitable periods under his leadership. Prior to that, Jeff had worked at Citibank, and prior to that he was a graduate of Stanford Business School and Yale and Deerfield Academy. Jeff is involved in a number of philanthropic activities and is very involved in his school affairs. He's on the Advisory Board at Stanford Business School and he's a member of the Yale Corporation Board. And we're very pleased to have you here today.

JEFF BEWKES: Thank you.

MR. RUBENSTEIN: So the company that you run now is one of the largest media companies in the world. As I understand it, it's about 34,000 employees, \$35 billion market cap, and about \$29 billion in revenue.

MR. BEWKES: \$30 billion.

MR. RUBENSTEIN: OK. Sorry — [laughter] — \$30 billion. So running one of the largest media companies in the world, there's a lot of pressure on you. You're obviously a major figure in the entertainment world. It's reported that when you were a boy, you said to your parents: I want to be in the entertainment world. And your parents said: Well, that's not possible, because you're not Jewish. [Laughter.] Is that apocryphal, and why did you want to be in the entertainment world?

MR. BEWKES: You know, it is apocryphal. That was a joke intro to a dinner at the AJC. They never actually said that. [Laughter.] To break up stereotypes.

MR. RUBENSTEIN: OK. So why did you want to be in the entertainment business?

MR. BEWKES: Originally because HBO in those days just stood out as something different. It was a company that had a mission, and the mission was: Let's totally change television. Let's create a kind of television that has no advertising.

Now, since we all know — at least up until then — that TV gets paid for by advertising, you have a question, how are you going to get money for this? And basically it was that you, the viewers, paid for it. That really changed everything, because you're now trying to make TV that is worth paying for. That led to changes in the business model, the kind of programming that it had — a tremendous adventure. The mission of that kind of TV has now infected every channel. And it's still going strong at HBO.

MR. RUBENSTEIN: So what is it that HBO does that makes some of its shows pretty popular? Do you pay artists more than other shows? Do you have better producers? What is it that makes your shows so popular?

MR. BEWKES: You're on a key question. We're not trying to actually make the shows popular, because we're not getting paid based on how many people watch the show. That would be the other television, ratings-based television.

There's a lot of virtue to that, because of what popularity does, with you as viewers expressing your desire to shape the TV — and it should. But in the case of HBO, we're trying to make programming, or buy it — because we have both movies we buy and then series that we make — we're trying to make things that in your mind are worth paying for, where you don't care how many ratings points, how many million people are watching.

If you think about the variety of HBO shows from, in today's world, "Game of Thrones," — which is very popular and is coming back shortly, so stay tuned — or "Luck," the new series David Milch wrote, Michael Mann directed it, and Dustin Hoffman is playing the lead in that TV series — these are not all made to draw the maximum audience. They're made to make an interesting show that really stands out and is different.

MR. RUBENSTEIN: But you must know which shows have the highest ratings after they're over. Which is the highest-rated show that's ever been on HBO?

MR. BEWKES: It's a draw, roughly the same: "Sopranos" in its fifth year, "True Blood," which is on there now, "Game of Thrones," coming back. So those have been the highest-rated, but we don't get paid based on whether you watch those shows. We get paid if you sign up for HBO. And there are plenty of smaller shows — think of "Entourage," think of "Eastbound & Down," think of some of the documentaries; think of "Game Change" that we just put on this week — the movie about the last election. Those don't necessarily have the highest ratings, but because you know that those are on the network, hopefully you will subscribe to the network. We have about a third of the citizens in the United States subscribing to HBO. They're paying us every month. We use that money to make what we hope is breakthrough programming.

MR. RUBENSTEIN: But you were the head of HBO when the AOL deal was announced. What was your reaction to that deal? [Laughter.]

MR. BEWKES: We're here in Washington, which is the home of AOL. AOL had done a fantastic thing. I think as we all know, that deal was in 2000. AOL was the biggest Internet portal. Everybody was signed up to it. And the concern that some of us had when that was announced, because we didn't know if it was going to work out well or badly — but a few were

concerned because AOL was basically valued equal to Time Warner. Time Warner had six or seven big companies and was making \$7 billion or \$8 billion. AOL was a new company making \$2 billion — and they were valued the same.

The question really was, were the Internet stocks — and in this case the portal companies like Yahoo and AOL — going to justify those valuations? Are they going to grow into the always harder-to-tell Internet future? And if you take an AOL or a Yahoo or a Microsoft network and you put it with a content company, what does that do? Is that going to work?

I mean, what is the point of that? What became clear — not just at AOL but also at Yahoo and actually at MSN — is it's not that easy to rationally connect an Internet service, like a portal or an ISP, with somebody that makes movies, TV shows, magazines. It's not clear exactly what that connection is.

MR. RUBENSTEIN: All right. Well, that deal is behind you now, and now it's Time Warner. You still are a major magazine publisher. What is the future of magazines in an era of technology and when people are reading things online? Why are you still in the magazine business?

MR. BEWKES: Well, magazines are not the buggy business. Magazines— you all hopefully read these every day— that's the content business. That's journalism of various stripes; it's some entertainment. Think of style and celebrity magazines. We have everything from news at *Time* to *People*, with celebrity. All of those are quite strong in readership. Magazine readership is holding up, and it's migrating to the web. It's migrating to your tablet.

So if you pick up any tablet that's in this room and you push in *People*, *Sports Illustrated* or *Time*, *Fortune*, you can read your magazine for free, because you paid for it on that tablet. And we have put all our magazines in that format. We're the first publishing company to do that. And we see the future of magazines basically as not just printed words on those screens, and in print, but also moving pictures. Because if you go to the *People* app and you look for Golden Globes, you're going to find moving pictures of the Golden Globes. And if you want to go deeper into a story or a person, you can do that. So the power of all this journalism that we collect, which we can't print in every magazine that we put on the truck, we can still give it to you as a reader or a subscriber to that magazine.

MR. RUBENSTEIN: Do you think 10 years from today we will still be printing magazines — you and everybody else — or everything will be online? Do you think we'll still be printing magazines in 10 years?

MR. BEWKES: Definitely. We'll be doing both. But you'll have your choice of whether you want to read your favorite magazine in paper or have it on your screen.

MR. RUBENSTEIN: And the most profitable magazine, I thought, in the country is *People* magazine. Is that still the case?

MR. BEWKES: Yes it is. And it's going up.

MR. RUBENSTEIN: You're a religious reader of it, I assume?

MR. BEWKES: Yes, I get to it right away. [Laughter.]

MR. RUBENSTEIN: So you are the biggest producer of content, I think, for television. Is that true?

MR. BEWKES: Yes, we are — at Warner Bros — making television shows to sell to CBS, ABC, NBC, and all the cable channels — and then we have the Turner networks, TNT, TBS, truTV, and then we have HBO and Cinemax. So basically, the biggest part of Time Warner, United States and globally, is television.

MR. RUBENSTEIN: Now CNN was started many years ago by Ted Turner. And at the time, it was considered a novelty to have an all-news show network. Today, CNN seems to be in the middle. There are cable shows on the left and some on the right. CNN, I guess, tries to be down the middle. Is it difficult to be down the middle when so many people seem to want cable shows on the right or the left?

MR. BEWKES: I think most of us understand it that way, but maybe that's not the fullest way to understand it. So when we hear down the middle, what we mean is not down the middle without clarity of opinion or examination of all the different points of view; we think it's journalism. So in our company, whether it's CNN or our print magazines, we're trying to do what we all grew up thinking journalism was, which is something that is objective, that gets you all the points of view.

So the idea to us of shrinking what we do down to one or another political point of view — because that's not the only issue — it's the political spectrum; there's a lot of different things happening in the world. And if you're going to cover them objectively, you need to cover them across that spectrum. But there's tremendous amounts of things that are affected not really by political thinking or political action or policy, but just happening as either technological developments, demographic developments, cultural developments. So to reduce it to politics and then pick a side to us is really abandoning what we set out to do.

MR. RUBENSTEIN: So on CNN, you had Larry King for quite a while, and now you have a new host. How is that working out?

MR. BEWKES: It's working out very well. There's been a lot of vigor in the coverage that Piers Morgan has done — think of the Arab Spring last year.

And it's pretty lively when we have celebrities on. That's an interview show, so we're depending on the events of the day, we're mixing either some cultural or celebrity events or maybe news events that have happened in the world. He has a very good range to do both. And CNN itself — if you think of Anderson Cooper's show every night, Erin Burnett's show now at 7:00 — is broadening out in terms of what we're covering and the depth and analysis we're trying to bring to it. So the ratings are up.

But that's not HBO. That's — you pay — that's a subscription-supported thing and an ad-supported thing. And the ratings are up quite well this year over the year before. It's election year so there's some lift that we get from that.

MR. RUBENSTEIN: But when you're watching elections returns, do you ever flip the channels to see what the other people are doing?

MR. BEWKES: Absolutely. [Laughter.] I flip around. And you all probably do, too. You should. So you're getting a fair view.

MR. RUBENSTEIN: I travel overseas a bit. When I go overseas, I like to know what's going on in the United States, so I like to turn on CNN. But I always have something called CNN International overseas, which is telling me about rugby and soccer and other things I don't really care that much about. [Laughter.] Why don't you just broadcast CNN that's here overseas? It would cost less and most of your viewers are probably Americans traveling. What's wrong with that analysis? [Laughter, applause.]

MR. BEWKES: There's nothing wrong with that analysis. And a lot of our viewers are Americans traveling, but the debate we have — and I'm no stranger to that debate — is, well wait, we've got a lot of people that are resident nationals of all the countries. CNN is one of the largest, along with BBC, TV news sources. And online, it is the largest global news service that people turn to. So you have people of all nationalities all over the world watching it to get a view from the states and some view about the U.S., but not exclusively. So if we were putting on what serves an American audience on CNN domestic overseas, we really would not be serving those people. And in fact, you said it very well, but we also get the other half of that debate which is people saying, you know, when I go on to watch CNN International and I'm in India and I'm in Hong Kong, and I hear all this stuff about some municipal thing in the United States or something — why do you go on about this? This is not the world. I want to hear about your view of what happened in the election in Russia. That's what I want from CNN. You can't please everybody even though we try.

MR. RUBENSTEIN: Well, let me ask you, today you are seen — by some people — as a large media company based in the United States, and many of your best customers and biggest business is here. Are you doing things outside the United States? How much activity do you have outside the United States? What are you doing in China or Europe, for example?

MR. BEWKES: About 30 percent of the revenue of Time Warner is outside the United States. So it's quite international. And that's a mix of activities. You think of what we do — we have the world's largest studio, Warner Bros, producing both films and television shows. A little more than half of what Warners takes in revenue — book-selling, TV, and film — is outside the United States. So that's that part.

And then if you look at the networks, whether it's CNN we just talked about or HBO, TNT, Turner Classic Movies, some channels we own specific to Europe or Latin America — we have a lot of television channels all over the world. When you go to China, there's actually less business done by American media companies, because in China, as in some of the developing countries, they don't readily take in a lot of unregulated or unedited content — and not just news, but entertainment.

And there's a pretty vibrant piracy market in developing countries, China and East Asia, where people are watching our American-produced movies. They just aren't paying us for those. So it's a great business for somebody. [Laughter.]

MR. RUBENSTEIN: Is there any legislation you have in mind that might fix the problem?

MR. BEWKES: Well, I didn't really want to mention it. There's been effort. There should be some very considered work and thinking done by not just the media companies, but the Internet companies and the pharmaceutical companies, really every industry that produces intellectual property or high-value products that depend on patents or rights. And we've got to figure out how to have those be valued and not hollowed out by what would essentially otherwise be a criminal activity for profit.

This is not altruistic sharing. This is people stealing drugs or media products or whatever it is — software made by Microsoft — and essentially consuming it for free or paying an organized crime syndicate to take it. And while there's a lot of controversy, it's not so easy to figure out how to do that, and make sure that in doing it you don't impinge on the freedom and innovation of the Internet either. Nobody wants to do that. But there ought to be a way to create a vibrant Internet and preserve it and not have it simply used as the avenue for every kind of taking away of the products that people are making.

MR. RUBENSTEIN: Time Warner is an aggregation of many companies. It was Warner Communications — they kind of bought *Time* and merged in and ultimately AOL, and that was spun off. But there are a lot of acquisitions over the years. Since you've been the CEO, you've actually divested some things — your cable business. And you have an interest in making acquisitions? And if so, what area would you like to grow by acquisition? Not that you're going to tell us specific ones right now, but —

MR. BEWKES: What we've done — and whether it's the divestiture side or the acquisition side — is we've tried to really fill out, strengthen, support our position in content creation. We've moved the company from what had been a bit of a conglomerate in cable distribution to what we know how to do, which is to make really high-quality movies, television shows, television networks, branded magazines.

And so whether it's journalism or entertainment products, we've got a pretty good, now experienced, management system and population of people that know how to really do that at the cutting edge and to create evolution in the business models, because we all know how films started or TV started and then magazines. All of that has to be evolved into being on the Internet, having it work for viewers and consumers, but having a business model that pays for it. And we are in the forefront of that, whether it's in publishing, networks or our movie studio.

So that's when we look about for acquisitions, if we ever need any of those. We're basically thinking about what do we need to help that transition in digital or to help us geographically take this capability and make it stronger somewhere else in the world?

MR. RUBENSTEIN: The man who first put Time Warner together was Steve Ross, and you worked there when he was there. What has he like? And was he a brilliant dealmaker?

MR. BEWKES: He was. He was a very forward-thinking dealmaker — having started in the funeral business, into the parking lots, into the media business. Some people would say that sounds like it's all the same — [laughter] — and we kind of continued that, although we had a few deals that didn't work so well.

MR. RUBENSTEIN: How would you compare him with Ted Turner? What was it like working with Ted Turner?

MR. BEWKES: Well, Ted was not a dealmaker. Ted was an innovator, a visionary to create companies. Think of what he created. He created TBS first, which is taking a local broadcast station, put it out over the satellite into every cable system in America. That's how you could get Andy of Mayberry on the Super Station and on your local Channel 11. That's how that started. Then he figured out how to create a 24-hour news channel, CNN.

And, you know, if you're in the business side — because, OK, 24-hour news — we get it. You were viewers, you saw it. The real issue was on the business side, if you were a cable network person in those days, how do you get that distributed and how do you get the money from the cable operators and the subscribers to support CNN? So he did that. Then he took a library — Hanna-Barbera library of cartoons — and made the Cartoon Network, and so on. So they grew Turner that way — not by deals, by in-house invention.

MR. RUBENSTEIN: Right. So now, you're in the entertainment business, the creative content business. It's often said that the egos are large in the movie business or TV business. How would you compare the egos when you go to Hollywood to see your movie production people, with your television people, with your magazine people? Who are the easiest to deal with?

MR. BEWKES: I would probably insult the movie people if I didn't give them the big ego award. [Laughter.]

MR. RUBENSTEIN: OK, that's very diplomatic. Now, we're in Washington today and I understand you had a lunch that was hosted by the Vice President with Prime Minister Cameron. And I assume you're not going to tell us what he told you, but by virtue of the fact that you're in Washington, do you spend a lot of time here, and does the government affect a lot of what you're doing?

MR. BEWKES: I don't spend as much as we did. We used to have a regulated business, our cable company, which when we were the biggest media company, we spun off to our shareholders. And if any of you out here are shareholders of Time Warner Cable and Time Warner, you have done better than any other media company because of the cumulative performance of the two separately. So I just want to point that out, because not enough people have written that.

We haven't gotten enough credit for that. So that did happen. But since we now have content companies — magazines, networks, and studios — we're not regulated per se. We do come down in order to try to understand where regulation is going and what the view in the public sector is about how media should evolve, because there are various calls for intervention

that happen and we want to make sure everybody is educated before some unintended consequences happen.

MR. RUBENSTEIN: Now, would you ever consider going into government yourself, if you could be appointed a Cabinet position or run for something or —

MR. BEWKES: I think it would be better for everyone if I stayed in the private sector — [laughter] — trying to produce high-quality journalism and create an independent and bold viewpoint in entertainment.

MR. RUBENSTEIN: So to keep up with your empire around the world, what technology devices do you use? Do you use an iPad? Do you use iPhone? Do you use BlackBerry? What is it that you walk around with and carry?

MR. BEWKES: BlackBerrys, iPads, cell phones — more than just Apple phones. I like to be in the Android Chrome camp and the Apple camp.

MR. RUBENSTEIN: Do you use Twitter?

MR. BEWKES: I don't. Our company uses Twitter. And CNN is, I think, the number-one site — CNN has more Twitter followers than any other news source. I don't think that public co-CEOs are allowed to use Twitter or Facebook. [Laughter.]

MR. RUBENSTEIN: I hope not.

MR. BEWKES: I apologize. That was an attempt at a joke. It doesn't seem like a good idea. [Laughter.]

MR. RUBENSTEIN: Probably not allowed. So you're running one of the largest media companies in the world. When you're not running that company, what do you do for relaxation? Are you a golfer, a hiker, or any —

MR. BEWKES: I go sailing or skiing. Or I try to hang around with my kids. I like hiking.

MR. RUBENSTEIN: You come back to the house and you turn on TV, and you see CNN and you see somebody doing something you don't like. Do you call up the host of the show and say, I didn't really like this? Or how do you convey your concerns about shows? [Laughter.] You don't get to do that?

MR. BEWKES: Well, I would like to understate my involvement on editorial matters, both journalistic and entertainment — understate. [Laughter.] In other words — but no, I don't call up. I mean, we really think it's important. And it's basically how we deliver the quality that we do in journalism at *Time* and CNN, and it's how we deliver the quality that we do — both commercially recognized, because we tend to outcompete most of those other media companies in our movies, our TV shows. I mean, we have the lead, usually, earnings in theatrical films and

TV shows we sell to the networks, in our cable networks. And we're the lead share in the magazine businesses in which we operate.

So that's pretty good. And the way we do that is we have a very strong commitment to quality and autonomy of our editorial people, our creative people. Now, that doesn't mean that we have no supervision or involvement with how they try to create that quality. But it obviously would not work, given the scope, the size, the diversity of what we do, if we had political powers coming down, second-guessing and punishing things that don't go well.

I try to support our people in trying things out — and giving them the resources to do breakthrough things. And so far that's not just me; that's everyone in our company. That's the culture of Time Warner.

MR. RUBENSTEIN: Well, since you've been CEO of the company, what do you think is the biggest challenge that a CEO faces running a publicly traded company today? I mean, what is different from what you thought it would be?

MR. BEWKES: There's so much, you know, different opinion that floats around which — that part is good. But it's hard to get people, because everyone is kind of skittish and insecure about sticking to a more long-term program, whatever it is — whether you're trying to aim for a certain brand that you want to create, you're trying to get a certain voice in a TV show or a magazine, whether you're trying to get results over the long run instead of the short run.

And this is not the first time anyone's said this. There's so much kind of confusion out there. Currently, I would say, the biggest source of strange and not particularly logical fads that you all hear every day is connected to developments in the Internet, because we all know there have been so many breakthroughs of stunning — you know, they get going because of the nature of the Internet. It connects to now 7 billion people, so if it's got any application, it takes off and it's big very fast.

So everyone has gotten used to thinking, oh my gosh, you know, maybe this thing is going to take over the world. So everybody gets a bit excited and they don't sit down and say, well, what does this new development really amount to? How does it work? It doesn't mean it won't be a new thing that has some lasting power, but the idea that all normal things you've come to know are going to be overturned every Thursday is about what happens.

And just clearly we've seen so many of these. Now, the market wants to churn that because, you know, pro-cyclical pushing on that can make you money on the way up and the way down. So there are plenty of reasons why it all kind of runs away. But you've got to know which things are real developments and which things are kind of fear and paranoia.

MR. RUBENSTEIN: Now, if the Vice President had pulled you aside today and said, the business community always is asking for something from the government. What would you like the government to do to help business in the United States that could help your company or all business? What would you think the U.S. government could do to most help your company and other major companies? What would you have said and how do you answer that?

MR. BEWKES: I don't remember a case in which we've asked the government for anything specific to our company. And we don't think of that as appropriate for government — you know, getting something without — What we think strongly is that — not just our government

but the developed countries' government — we should support protection of intellectual property and try to do it in a way that is equal to how we support physical property. We should try to figure out how to do that, because intellectual property is increasingly important to maintaining the most important human activities on the planet. And if it works for the physical economy it ought to work for that.

And then the second thing that goes with that, and I'll say it, is we ought to try to keep putting forth a free trade regime in the world. And I know that means different things to different people and there's a lot to be worked out. But it's very much in the interest of freedom generally — political freedom, freedom of expression, prosperity and the ability to develop things that cure the material needs of the people on the planet to have property protected and not stolen and to have free trade rather than, you know, arbitrary political units distorting what people want to do.

MR. RUBENSTEIN: Now, you are in so many different areas of our economy, and other economies, but in our economy. So you get numbers, presumably, every month, maybe daily, about TV sales or ratings or magazine sales. How do you think our economy is doing now? Are we growing at 2, 3, 4 percent based on what you see? What is your biggest concern about the economy of the United States?

MR. BEWKES: Look, it'll probably get to somewhere around 3 percent, maybe a little under. There's a debate of whether it's going to dip under. In the businesses we're in — and I would just take the television business as a bit of a positive marker on this — the television business in the United States, and all across the world, is very strong.

It's not so much short term, this year, et cetera. From a long term, where's the business evolving, what business should we be in, the health of the TV business across the world — it is one of the strongest businesses in the world. The viewership — and I'll start in America. Viewership's up. Number of people subscribing is up. Budgets for programming and the quality of programming are up dramatically. The earnings of all TV companies, producers or networks, is up. And that same thing is true in every continent in the world. And most of them at higher levels even.

So TV is a bursting industry. The big thing about it, which is even more positive than that, is that television, certainly here, is going on the Internet. I think we've all seen how powerful the Internet is and the devices that you have connected to it. For the past 40 years, you drive by houses, there's a blue screen running in the house — that screen is now following you wherever you want to go. You can talk about what's good or bad about that, but it means that the things that you choose to watch are now available — whatever you want, whenever you want, on whatever device you want. And it's getting cheaper all the time. So the quality of it, the effectiveness of it, the ease of use are all going up. The price is going down. That's a fantastic business. It's basically — the Internet and television are the same thing.

RUBENSTEIN: So you don't really care whether people are watching your content on iPads or Sony televisions. It makes no difference to you based on —

MR. BEWKES: Right. Well, do you care when you watch your favorite show whether the television you look at is a Sony Philips, Sanyo, what do you care? I don't think you do.

RUBENSTEIN: So in your business career, what was the time that you were most worried about your career? That you thought uh-oh, I made a mistake and I might not be around here much longer. [Laughter.] Was there something that happened that you were really worried about?

MR. BEWKES: No, the whole thing has been fun for me. But there was — there was — HBO was pretty turbulent in the early years. There were numerous CEOs that went over the side. [Laughter.] And then Time Warner was pretty turbulent during some of those mergers. And, you know, the *Time* and Warner one had a lot of predictions that all the *Time* people would be killed and so on. You know, all that happened.

And then the AOL merger was such a big merger. It was, I think, the biggest merger in dollar terms, \$265 billion when it went through in 2000. The AOL side, which was \$165 billion ended up valued at less than \$10 billion which caused \$200 billion of write-offs the next year.

A hundred billion, which is more than what Time Warner was worth before the merger, and then in the next couple of years after that, another \$30 billion. So, you know, that is not a success, I'd think you have to say. [Laughter.]

What happens when you're in a company where that happens — if you think of all the pressures and strains, good and bad behavior in a political organization like the company — you throw that into it and it really tests everybody's personality and relationships and confidence. So from the management wondering, well, who the hell is responsible for this, up to the board, which came from both original companies — it puts a strain on everybody. So it's been interesting.

MR. RUBENSTEIN: So, as you looked at the difficulties of running a publicly traded company, are there role models that you have tried to follow? People you really admire who've run publicly traded companies and done well?

MR. BEWKES: Well, I didn't know many of them personally. The way I think of it, I've had so many mentors throughout my time at Time Warner. And I actually think — and I'm not going to name names on this — but even some of the people that ran parts of our company and for whom I worked who did things that are not good, you know, or made mistakes, you can learn from that.

All of them did a lot of things that were good too. So I basically tried to learn from everybody. How did this happen and why did this person get in trouble and, can I learn not to do that if I get in that situation?

MR. RUBENSTEIN: What would you like your legacy to be? At some point you will, presumably, leave this position — maybe many years down the road. But when you're looking back on it, what would you like people to say you did and what was your legacy?

MR. BEWKES: Well, I really would like for the leadership in quality and authenticity of Time Warner's journalism and our entertainment, whether it's our movies, our shows our networks — I would like us to stay and continue being at the top in terms of that quality and not failing in the fundamental mission of using our mechanics to make really interesting content for people and effecting the world that way, which is what we've been doing. I want to do that.

In order to do that, and this is really the business part for the management, we need to evolve the business models that started in print magazines, TV over the air, movies on the screen at a theater — we need to evolve those so that they work to support that creative enterprise in the Internet century, so that everybody gets our products the way they want, it's affordable for everyone on the planet to get it so that it increases that kind of civic aspect of what we do. We need to keep the business viable. So we need to preserve, really, the economic support.

And I'll just say specifically — I don't want to be vague about it — there's a tremendous freedom that goes with being able to pay for content. I'm not saying it's the only thing. It's great that you can have advertising-supported things. Some things, think of broadcast TV, can be 100 percent advertising-supported. But there's a big misconception that having things be quote, "free," with some business model to later be described — usually it means advertising, which usually goes to mass scale and low common denominator. That is not the answer to that. That's one of the things we should have in our mix, but it's been a huge advance of the quality of expression — just think of television.

If you're an American and you grew up in the world of three broadcast networks, we all remember that. That was free and it was good. It was good commercial stuff. But in order to select those shows, three networks divided up 90 percent of the audience. If your show didn't have 30 percent of the American people watching, it wasn't viable. Shows that didn't do that did not get made. And that was the world we were in before we had the freedom and choice to pay for what we wanted to watch. And that was started with HBO, and now it's a hundred other channels from Discovery Channel to Fox News to MTV. And now you have quality and distinction, because you're not stuck with just a scale business run by a giant platform that consolidates the ads. That's been progress in the television business.

If you go to the Internet, which allows us all to get all those different channels and a hundred new channels from Netflix to YouTube and to have more and more choice and diversity, more and more difference, more varying business models to support it, remember that, as you go to that world, the new one, there are some platforms that are essentially gigantic, consolidated commercial platforms, that essentially the Internet advertising is concentrated in the hands of three or four companies. Let's just all understand what that means if you don't preserve a model of being able to pay for what you want to read or watch.

If all goes in the hands of a giant ad platform that not only takes mass audience, but also tracks everything you do and uses it in ways that, frankly, the public is going to have some difficulty keeping track with how is my information being used, these are important questions as we go into the future. You asked, what do I care about for our company? I want our company to evolve into that stage and still provide the choice and quality of voice in entertainment and journalism that we have up to now.

QUESTIONS FROM THE AUDIENCE

MR. RUBENSTEIN: Well, we have time for one or two questions from our members.

QUESTIONER: Thank you for the presentation. I'm still struggling a little bit with your business model, because if someone purchases HBO, they purchase it just as a network and as a series of different shows that show on HBO. As the moderator asked you, if you're not concerned with ratings, how do you determine which programs you pull in and pull out of HBO?

Because you've taken things on and off during the course of the evolution. How do you make that determination?

MR. BEWKES: So if you're buying the whole service and it's, you know, 30 shows, which it is, how do we pick which ones we keep and which ones we produce from scratch?

QUESTIONER: Net of a ratings construct.

MR. BEWKES: That's a very good question. That's — [chuckles] — what we spend all week debating with each other: Should we do this show or should we do that show? We basically try to put together a total service of shows. Some of them are big hits, which we think will have wide audience appeal. Some of them are fairly narrow, because we think that story or that kind of audience group hasn't been served; they've never seen anything focused for them. When we put that together in a service, you all decide whether you want to subscribe to that service. And you know, you're not going to watch everything that's on HBO. It's a question of whether you value that choice of having those kind of unusual, true-to-their-potential kinds of stories brought to life.

Because that's quite a different model from, say, mass-advertising, ratings-only TV. By the way, I'm not speaking against that; there are some really strong commercial, big appeal shows that are made for the maximum audience. There's nothing wrong with a giant hit — a commercial, ad-supported show. Nothing wrong with a huge commercial movie. There's just different kinds of needs that you're serving in the audience.

What happens, as you go through that spectrum, is that the creators who have the script idea or the directors who are going to bring it to life or the actors who have to choose — am I working on a movie or am I working on a show for HBO? — they now have a much richer choice than they used to about a lot of diversity in what they as an actor or director can do. So now you are where it is much more common. We never saw this 10 years ago for big movie actors to be on a television show. You know, you've all seen that.

So there's a lot of vitality going on between the television business and really excellent movies and shows and the movie business, which has everything from "The Artist" to a really popular designed-for-the-world movie.

MR. RUBENSTEIN: What is your favorite show on television when you're watching television?

MR. BEWKES: Oh, I can't answer it, because — [laughter] — first of all, I've got to pick one of our shows — which, by the way, it is our show. But secondly, it's between our networks, which I won't do. And then third, Warner produces some shows that we sell to other networks that are really good. So I'm sorry. I'm ducking. [Laughter.] I love all of our children.

MR. RUBENSTEIN: All right — a final question. It'll be easier for you. Do you ever get complaints about who is the *Time* person or man of the year? And what do you do with those? [Laughter.]

MR. BEWKES: We always get complaints. [Laughter.] And we get more than complaints, we get — [chuckles] —

MR. RUBENSTEIN: You get cancellations —

MR. BEWKES: —or you get people boycotting, calling your — you know, you get people that are really upset about this — which is probably good. It means they're still paying attention. [Laughter.] Did I mention that *Time* magazine was named the hottest magazine of the year by *Adweek* last year? I hope that's not too — O'Reilly plugs stuff on his show, so — [laughter].

MR. RUBENSTEIN: I'll let you plug. One more thing, so often, every year, when you have the *Sports Illustrated* swimsuit issue, you always get the next week mothers writing in saying they want to cancel the subscription for their children or something like that. Do you actually have cancellations after the swimsuit issue or is that just not true? You actually have increases?

MR. BEWKES: Well, there's the mothers canceling and the fathers signing up. [Laughter.] So —

MR. RUBENSTEIN: All right. Well, Jeff, I want to thank you very much for this.

MR. BEWKES: Thank you. [Applause.]

MR. RUBENSTEIN: Let me give you a gift. This is a copy of the original map of the District of Columbia.

MR. BEWKES: Thank you very much.

MR. RUBENSTEIN: Jeff Bewkes, thank you very much. [Applause.]

MR. BEWKES: Thank you, Dave. Thank you.

JEFFREY L. BEWKES

Jeff Bewkes is Chairman and CEO of Time Warner Inc. He was elected Chairman of the Board of Directors in January 2009, having served on the Board since January 2007. He was elected CEO of the Company in January 2008.

Prior to being named Chairman and CEO, Mr. Bewkes served as Time Warner's President and COO from January 2006 to December 2007 and as Chairman of the Entertainment and Networks group from July 2002 to December 2005. Before joining the corporate management of Time Warner, Mr. Bewkes served as Chairman and CEO of HBO from May 1995 to July 2002, and as President and COO of HBO from September 1991 to May 1995.

Mr. Bewkes serves on the Boards of Yale University, the Partnership for New York City, and Deerfield Academy and on the advisory boards for The George Washington University Law School, The Creative Coalition, and The Paley Center for Media and is a member of The Business Council. Mr. Bewkes has a BA from Yale University and an MBA from the Stanford Graduate School of Business.