

# Ted Leonsis Oral History

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## COMPUTERWORLD HONORS PROGRAM INTERNATIONAL ARCHIVES

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Transcript of a Video History Interview with Ted Leonsis  
Vice Chairman, America Online, Inc.  
Chief New Product Officer and President, AOL Advanced Services Group

*Interviewer: Daniel S. Morrow (DSM)  
Executive Director, Computerworld Honors Program  
Location: AOL World Headquarters  
Dulles, Virginia  
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Prepared by:  
Ann Spurling  
(716) 750-7722  
aspurli1@rochester.rr.com

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### **Influences & Inspirations for an Immigrant's Son**

DSM: We'll begin at the beginning. Can you tell us when and where you were born, and about your parents?

TL: I was born in Brooklyn, New York in 1957. My father is a Greek immigrant and my mother grew up in Lowell, Massachusetts. My parents weren't very well educated. They both just completed high school and their goal for me, their only son, was to become educated and go to a good college. I was the first one to become a college graduate in my family.

DSM: Did you know your Dad's parents?

TL: I knew my mother's mother. She also immigrated from Greece, and she didn't speak 50 words of English. She was in America for 80 years, couldn't speak 50 words of English because

they all came to Lowell, Massachusetts, a mill town, and they all stayed there together. They basically created a Greek ghetto.

DSM: How did you come to be born in Brooklyn?

TL: My Dad was a waiter in a restaurant in Massachusetts. Then he had the opportunity with two other friends to own and manage a restaurant right near Bloomingdale's in New York. At the time Brooklyn was a cheaper suburb or borough to live in. So he would take the subway in early in the morning and come back late at night.

DSM: What was the name of the restaurant?

TL: Chelsea's. What I remember most was that my Dad would wear this apron and they would take their tips and put the change in their apron. On weekends, one of my jobs to make my allowance was putting the quarters and the dimes and the nickels and the pennies in coin wrappers.

DSM: Did your Dad or Mom ever tell stories about the old country?

TL: While they did, they were very, very focused on becoming Americans. They didn't speak Greek around the house, and while the religion was important, being Greek Orthodox was important, being Greek wasn't. They wanted to get assimilated as quickly as possible and they thought the best way to do that was through school and education for me. I had a choice to go to Greek school. A lot of kids were being sent to Greek school to keep their heritage, and they made a conscious decision not to send me to Greek school.

DM: Is your Dad still alive?

TL: My Dad's still alive. He's 88 years old. I bought him a place down in Vero Beach, Florida. He still drives. He still has all his hair and barely needs glasses. My Mom died 14 years ago.

DSM: Oh, I'm so sorry. Let's talk now about elementary school. You went to PS 169?

TL: PS 169 which was a neighborhood elementary school, and then Pershing Junior High School. I started school young because my birthday is in January. I started school in September, and because my family made me read so much, I scored high on tests, and I skipped the 8<sup>th</sup> grade. I went right from 7<sup>th</sup> grade into high school. Then I went to Georgetown. So when I graduated from college I was 20 years old. I'm now 44 years old and I've been working for 25 years. Pretty amazing, I feel like an old man.

## **Father Durkin, Hemmingway & the IBM 360**

DSM: Were there any teachers that you remember that really made a difference?

TL: Probably in college is where I found my first mentor. I think the reason I ended up in the computer business and the Internet business was an experience I had at Georgetown. In fact I just made a donation to the school in this professor's name, his name was Father Joseph Durkin. He's actually 96 years old right now. He was my junior year mentor, and he was in his seventies when he was teaching me.

At Georgetown there's an interdisciplinary program and I had just read the book, "The Old Man and the Sea," by Ernest Hemmingway. It was the first time I had been introduced to Hemmingway, so I thought I would write my thesis on Hemmingway. I started to read all of his books and it was striking that "Old Man and the Sea" was written in a very clipped, journalistic style, "It was a good day. The sun was hot." The book right after it was written like a Faulkner book, just run-on sentences and long paragraphs. That book was panned and Hemmingway eventually committed suicide. So I read all of his books and I said, "'The Old Man and the Sea,'" seems out of context." His early books were journalistic in style. His later books were trying to be part of this new revival of jazz and Faulkner-esque writing.

So Father Durkin convinced me that I should use a computer to evaluate his writings. It was an IBM 360 mainframe, and he hooked me up with a linguistics major, and we ended up inputting the first 5-thousand lines of all of Hemmingway's books, one written in 1945, then 1950, then 1955. Using "Old Man and the Sea" as a control, we asked the computer, based on these linguistics measures like, words sentence, sentences per paragraph, active pronoun references, when was this book written? And the computer said it wasn't written in 1951. It was written in 1943. Then we looked historically at his career. What happened was he was very successful and then his work started to get panned and he needed the money. So he took something he had written that was unfinished and just basically updated it and put it out and won a Pulitzer Prize for it.

So at the time, it was 1976, it was a big deal. It got published in a magazine on the humanities, but it introduced me to computers. It was a 360 mainframe that used punch cards and there was only one on the entire campus. They would sneak me in like 40 minutes at a time at midnight, or 6:30 in the morning so I could use it. When I graduated from college my parents had moved back to Lowell, Massachusetts and I needed a job because I had a lot of college debt. So I applied at a computer company called, Wang Laboratories. They thought I understood computers because of my thesis.

DSM: You're 19, 20 years old?

TL: I was 20 years old.

## **Georgetown & the Kerouac Connection**

DSM: There are a couple of other stories about college I wanted you to touch on. There's a great story about the Jack Kerouac paper you presented.

TL: Because my parents grew up in Lowell, Massachusetts, my mother's brother and cousin literally became best friends with Jack Kerouac. They grew up together all through elementary school and high school, and they graduated in the summer of 1941. My uncle John went to the Air Force Academy. My cousin Sam Sampas went to Boston University, and Jack Kerouac went to Columbia. My uncle John was a really great athlete and he got a scholarship to go to the Air Force Academy. Kerouac was a football player and he went on a football scholarship to Columbia. Sam was more of a writer. He was head of the year book, spoke a lot of languages, and he went to BU to study Italian and Latin.

In December it was Pearl Harbor Day, and they all came home for Christmas. There was a lot of pro-American feeling and they all decided to drop out of school and enlist. Kerouac broke his leg in the first football game at Columbia and wasn't able to be brought into the service. So my uncle went to fly planes and my cousin actually went on to be a translator and break code. I guess that was Christmas time. In February, my uncle was killed in a plane accident. They were test flying and the plane went down. 3 months later Sam was on a boat going over to Italy. The boat was torpedoed and he died. So Kerouac lost literally, his two best friends and felt terrible because of his not being to do anything about it with this broken leg.

He then obviously becomes a great writer. He wrote a book called, "The Town and the City" which was about Lowell, Massachusetts and New York. And the first time he meets the main protagonist in "On the Road" called Neal Cassady, when he meets him and describes him in "The Town and the City" he says he was, "a tall, graceful, Greek god looking man, and he reminded me of Johnny." He immediately glommed onto Neal Cassady, and he took the place of my uncle. About four chapters later he talks about how he met Allen Ginsberg. He said, "He's swarthy and pushy and articulate and I loved him like my brother Sam." So Ginsberg became Sam. When Kerouac began to have some drinking problems and sort of fell out with the group, he moved back to Lowell and made John's brother, my uncle Bill, one of his best friends. He also married Sam Sampas' sister. He made this full circle to come back.

So my senior thesis was called, "More Town than City," and it basically said that Kerouac wasn't the beatnik, the hippie, he really was a mother's boy. He was a cocooner who never wanted to leave the nest. So I sent a copy of it to Allen Ginsberg and got to know Allen Ginsberg. I also got to know William Burroughs a little bit. Just two months ago Kerouac's manuscript of "On the Road" was available to bid and I actually bid it up to \$2 million. I thought it would go for a million dollars, but a gentleman who owns the Indianapolis Colts was really committed to getting it. He ended up paying \$2.3 million.

DSM: Well you were obviously interested in literature. When you were in college, did you ever think about becoming a writer?

TL: I had zero interest in being an academic, but look at my early career, with Wang I started in the advertising department and I ended up writing ad copy, then running the advertising and PR departments. Then when I started my first company, it was a publishing company. So I think it did end up taking the things I had learned academically, English and Literature, and blended those with things I had learned in my career early on in the personal computer business.

DSM: Describe your first personal computer.

TL: I had an Apple II in 1978. That was my first computer. It had a Xeroxed manual. That's what I remember, and it had pages missing. You would have to go to the home-brew computer shows, it was called the Western PC Fair, and you would have to try to find people who knew how to do this stuff, and then they would Xerox and send you, or fax you the missing pages.

DSM: How did you choose Georgetown?

TL: I didn't know anyone who knew anything about colleges. My parents thought it would be best if I went to a state school. They felt it was good to live at home, go to a state school, save money, whatever. I just thought it would be better if I went away and got to know a different group of people, got a different perspective on things.

I had a friend whose father went to Georgetown and I was in search of people who were mentors. I wrote this man a letter and called him three or four times. So he interviewed me and I sold him on why I thought I should go to Georgetown. He was very helpful to me. In those days there were no web sites so you had to send away for brochures and the like, so I sent away for one.

I looked at Georgetown, Columbia, and Reed College in Oregon. Then I drove down to D.C. and I actually just fell in love with the campus.

I also liked it because it was a disciplined place. The Jesuits don't cut you much slack. The campus was really nice but because I grew up in New York, I like cities, and you could just walk outside the campus and you could be in the city. So I have remained close to the school ever since. I'm now on the Board of Directors at Georgetown.

## **Early Heroes & Football on the Roof**

DSM: Georgetown, you were at Georgetown during a great period of time. John Thompson was coaching there. Is that when you fell in love with basketball?

TL: When you grow up in Brooklyn you basically have nothing to do after school other than play sports. So I played basketball and roller hockey and softball and football. In fact in high school, at Brooklyn Tech, I was junior varsity and I played quarterback. I tell people, and anyone who goes to Brooklyn Tech knows this, but no one who hasn't can believe it; we didn't have a field. Our field was on the roof of the school. They had this big cage and half the time when you had kick-offs, the ball would hit the top of the cage. (Laughs) Seriously! It was just on the top of the roof where we played football.

DSM: Question I ask of everybody, who were your heroes when you were a kid, either in the literary sense or in the real sense?

TL: When I was not impressionable, when I had some criticality with things, I grew up with the Beatles and I used to devour Beatles albums. I read the liner notes and read books on the Beatles.

Hemmingway I always thought was an interesting person, and when I first got out of college and I started my first company, ironically Ted Turner was my hero. I heard Ted Turner give a speech once about where the world was going and why CNN was going to make it, and why advertising was going to change with narrow casting. It just struck me that his point of view was so antithetical to the kind of classical media business, but he didn't have an underpinning of computers. His technology was electronic newsgathering and satellites, but there was a fundamental missing part which was computers and networks. I had a tradition steeped in that from my four years working at Wang Laboratories, and that just always percolated in my head. So when I started the publishing company and we worked with Apple on the Macintosh, I really started to see the power of digitizing content and being able to push it out over many pipes.

DSM: When did you first meet Ted Turner?

TL: I actually went to the speech I told you about. I guess it was in 1984. It was the first time I ever heard someone give a speech in front of people and say the "f-bomb" word. It was just so striking. (laughter)

## The Real World at Wang

DSM: 1977 you graduated from Georgetown. You are 20 years old and you go to work for Wang Laboratories. For someone looking at this 100 years from now, describe why you went there and what it was like.

TL: I went there because I had a lot of college debt. My parents lived in Lowell and I had to live at home. Wang was this young company about to introduce something called “word processing.” At the time there were so few people who had experience in the computer industry. So here’s someone coming out of a good school, Georgetown. I graduated first in my class. I had computer experience, and I was very eager to make an impression. So I just pummeled this guy who actually became my mentor and became president of Wang Laboratories, John Cunningham, with why he should hire me.

He actually did a very smart thing. He said, “I know you want to be in advertising and PR, but for the first 6 months I’m going to put you in a technical call center so that you can be in front of customers. You can hear real world experiences on what the issues are and what people do.” And it put me in a total immersion to have to learn the computer from a consumer perspective. I started to program in Basic, and it gave me a real empathy for what customers really did with the computer.

So I did that for about 7 months and then there was an opening in the Ad department. I applied and they put me in there. Wang was about to introduce word processing, and I became the Ad/PR Manager on Wang WP. It was the right product, right marketing, right anti-brand to IBM that had typewriters, and we hit it. For the four years I was at Wang the company went from about \$200 million to \$1 billion in sales. I think one year we were the fastest growing company in American business. Culturally, it gave me an understanding of getting big fast, rapidly scaling businesses, and we were really, really connected with the customer. The thing at the time that we were great at was, we chose secretaries and women to be the buyers because they hated typewriters and word processing just made life easier. It’s funny, those of us who are older remember that when you would type a letter and you would make an edit to a letter, it was a pain. Then people would see word processing, see how easy it was to make changes, move things around, it was incredible.

We had the largest female management team of any company in the country at the time. We recruited, trained and hired secretaries, and they would become sales managers to go sell to administrators and secretaries. They just connected, and we were so hot. In fact, on occasion at AOL I have to run around and say to people, “I’ve seen this movie before.” We were building buildings. We were as hot as could be, and senior management started to get removed from the customer. We became more interested in Wall Street and what IBM and Xerox were doing, and we got a little away from our roots. When the PC was introduced many people at Wang were saying that we should make Wang word processing software work on the PC. That was a religious issue because Wang thought it was in the hardware business, not the Wang WP business. Wang decided not to do that, to just stay in the systems business. A couple of guys from Wang left and created a word processing package that worked on the PC.

Then Microsoft introduced Word, and Wang literally went poof, and it eventually went bankrupt. I learned so much from that experience, about success, arrogance, never losing focus on the consumer, etc.

Now I had left by then, but I watched it both with fear and trepidation because I had gotten into the PC business. In fact I brokered a meeting in 1984 between Steve Jobs and Dr. Wang because I thought that Wang could use the Macintosh that had just been introduced, as work stations off of its mainframe and mini-computers and sell it to customers, and Wang should license its WP software onto the Macintosh. In hindsight I think that would have been a really smart, strategic alliance, but the chemistries and the cultures between a PC company with a 28-year-old guy running it at the time, and Dr. Wang and Wang Laboratories just didn't work.

## **Enlightenment, Supermarket Style**

DSM: Talk about leaving Wang to start your first publishing venture.

TL: When I was at Wang we didn't sell personal computers. We had a system called the PCS, which was more a computer than a word processor, but you couldn't buy it retail. Basically they would sell lots of individual stations into a company. We then introduced a small word processor called the "Wang Writer." It had a word processor and a printer built right in, and there was just this buzz kind of on the side that a personal computer was going to be introduced. In New England, Route 128, it was a heavy iron, mini-computer culture. In fact the founder of DEC at the time said, "There won't be more than 100-thousand computers ever sold. Why would anyone want to use a personal computer?"

I was on a business trip out in San Francisco and I met these guys who showed me a personal computer. There was also a Heathkit at the time. They also said there were these guys who saw this coming with Apple. I actually met Steve Jobs in 1978 and I thought he was a really cool guy. Was real grungy with long hair, so I bought an Apple II, and really fell in love with the product. I bought some software on it. I think it had VisiCalc, the first spreadsheet that worked on it.

Then when IBM was introducing its PC, I thought there was going to be a real change because they were a real big, serious company and their getting into the PC business was going to say it's okay to buy one of these, and that they would continue to drive the price of these down, and if they continued to sell a lot of these there would be a lot of personal computer software. At the time there were competing operating systems. There was DOS, there was CPM, there was the Commodore operating system, there was the Apple operating system, and the software developers wouldn't write for all four of them. They would choose the one they wanted. During about a four-year period there were about 9-thousand personal computer software programs written.

I remember one day, I was a bachelor at the time and I was grocery shopping. The line was long and I saw a *TV Guide*. I had never seen or bought a *TV Guide* but the cover said it was, “the Number One Magazine in America.” So I picked up a *TV Guide*, threw it in the bag and I go home. Later I’m eating dinner and I’m looking at this magazine thinking what a stupid idea this is. Actually at the time it wasn’t. You know then they had 5 or 6 channels, maybe 12 channels, but you would have to get up and flip the channels. We didn’t have remote controls then. So it just struck me that if *TV Guide* was important, and there were 12 channels and 100 programs, maybe a TV Guide for the personal computer software industry would work.

So like most entrepreneurs, I have this idea and I have to figure out how this would work. So I start doing research on how you would get the information from these software companies. I would go to stores and I would write down names and addresses of these companies that wrote software. I would find one company that maybe had 30 or 40 programs, and I started developing this directory. I ended up calling it LIST, the Leonsis Index to Software Technology, and I had become friends with an executive at EF Hutton when I worked at Wang Laboratories. So I wrote a business plan and I approached them and said, “I have this idea for a new business. I think software is going to become very important, and IBM is going to launch this new PC.” I was fortunate to meet some of the guys from IBM early on, Don Estridge who was the founding father of that division, and they gave me an ad schedule. We said, “We think this is good for our business. We’ll support you.” So I wrote a 15-page business plan. It was my first one, and EF Hutton gave me a million bucks in venture capital backing. It was 1981. In fact I had to make a presentation to the committee at EF Hutton, and they were all in their 50’s and 60’s.

DSM: And you were 24, 25 years old?

TL: I was 24 years old. I go in and I pitch these guys and then they ask me to leave. My presentation was on personal computers, semi-conductors, chips, operating systems, software, and these guys had never used a computer in their lives. So I leave and I come back in the room, and Bob Forman, who at the time was Chairman of EF Hutton, says, “Young man, we don’t have a clue as to what you were talking about, but we think you could sell snow to the Eskimos. So we’re going to do this deal.” They gave me a million bucks. I made one sales call on a 15 page business plan and they gave me a million bucks.

So I started this company in Vero Beach, Florida because it was near IBM in Boca Raton, and came out with a first issue in April of 1982. It was a mega-hit. It really hit a chord at the right time. It sold out its first issue and we sold a ton of ads and we were profitable from the first issue. And because I had never had any publishing experience, I didn’t know you weren’t supposed to be profitable with your first issue. I think we had about 20 people, and I think I was making \$35,000 a year. That was when I was paying myself. We couldn’t make them fast enough. It was this thick guide that listed 8-thousand programs with reviews and descriptions and the like.

We then went to Warner Books and at the time signed a very large computer book publishing deal. We got a \$600,000 advance for publishing 6 books that had reviews and information about the software, and then a disk bundled in the back that let you sample the software. Then if you wanted to buy it you could send in this card and do it. So I remember when I first met Steve Case I told him, "I gave away software to consumers before you did." (Laughter)

DSM: What was your Dad's reaction to this?

TL: My parents, and I love my Mom and Dad, but everything they told me on career stuff, I did just the opposite. They said, "Don't go away to school," and I went away to school. They were horrified when I quit my job. They said, "You can be a big shot. You're living at home. You're a big fish in a small pond. They have good stock option plans. You can retire." The idea of quitting my job and moving to Florida to start my own company was kind of a radical idea. They couldn't even understand venture capital. They thought I was getting a loan, and I said, "No, they buy a part of your idea and a part of your company." *Time Magazine* named the computer, 'Man of the Year' in 1982. So all of a sudden we were this really, really hot young publishing company with book deals. We started to negotiate with Dow Jones, which had just started an online service, a downloadable software business so that you could find out about the software, trial it, and then download and buy it via Dow Jones.

So we were really bleeding edge. We were growing really fast, and we were profitable. So we became 'darlings' if you will, at a young age. The company ended up being acquired 15 months after its inception by a multi-billion dollar publishing company called International Thompson. They bought the company and we became a division within a group, within this big company. My manager now was a Vice President of a big company, who didn't know anything about computers. They paid a lot of money to our company. They bought our company for \$15 million. That was a lot of money back then. So within a relatively young age, I was very wealthy and I was working in a big company.

DSM: And you were in Vero Beach.

TL: I was in Vero Beach.

## **New Media: the Next Big Thing**

DSM: So tell us about Redgate.

TL: What big publishing companies do is try to find one thing and try to perfect it. What entrepreneurs try to do is find the next big thing, and I believed that the next big thing was going to be what I called, 'New Media.' In fact in 1986, I presented at a MacWorld conference, a presentation that turned into, at the time, a fairly famous industry poster that was called, "New Rules. New Media." It meant that everything that you knew in the past was now wrong. That once you digitize content, everything changes. So I was trying to move out of paper, petroleum-based products, as I called them, into new media, but a publishing company wants to perfect and get to scale, larger circulation, more frequent publishing, more ad pages.

So I sold the company in 1983. I stayed with them for two and a half years and in 1986 split off and started a company called, 'Redgate Communications Corporation.'

DSM: Did you bring anyone with you?

TL: Well it was me, and the CFO was another partner. I took the money that I was paid for selling the publication to start this new company. Redgate was truly a crazed, bleeding-edge company. We were a web-like company before it was fashionable. We pushed into areas where no one had been before. We created electronic databases for companies. We published a CD-Rom for Apple Computer. We published more CD's than there were CD players, and Apple fell in love with us. Sun Microsystems too. We created what was called their "catalyst" program, which listed all of the software that was available to work on the Sun platform.

In 1988 we created like a CNN, but for the computer industry. In fact when I first met Halsey Minor, I chuckled because he was doing it on the web. I raised venture capital and gave satellite dishes to all of the press analysts, consultants and the main MIS buyers in the country. I gave them a 1.8 meter v-sat for their roof. I pulled a cable down and then built a work station which was a TV, a VCR and a fax machine. And what we would do is, when Microsoft was introducing a new product, we would roll in a crew, just like you are filming me, and Bill Gates would introduce the product and everyone could watch it from their office. They would get the press kit faxed to them and then on a telephone, they would ask questions. We would charge for the right to broadcast to our network. We did a deal with a cable network, a gentleman named Glen Jones, to do the Jones Computer Network. They would take our footage, just like MTV would take footage from a record company, to start a computer channel.

So I went from print, to CD-Rom publishing and electronic satellite distribution. Then in 1988 I met John Scully at a conference, and I asked him, "What's the biggest problem that Apple Computer has?" He said, "My biggest problem as CEO of Apple is that I have no reoccurring revenues. If I sell \$5 billion worth of computers today, next fiscal year I start with zero and I have to sell \$6 billion dollars. And I have no way, because we sell through distribution, of getting reoccurring revenues streams." Because I had this background in publishing which is a subscription based business, and a little bit of cable because of what I was doing with Jones Computer Network, and a little bit of satellite delivery, I came up with a really, really out-of-the-box idea, which is, "What if you weren't in the computer business? What if those computer screens weren't really like televisions and we could network those and launch a shopping channel where Apple would get a piece of everything that was sold on the channel? That would make Apple a reoccurring revenue stream business."

They thought that was a great idea, and I thought so strongly about it that we raised more venture capital and started a new company and its first iteration was a CD-Rom for shopping, which was created in 1992. It took about a year and a half and we went out and input and digitized about 30 shopping catalogues; the LL Bean Catalogue, the J Crew Catalogue, and we scanned in all of the artwork, all of the descriptions, and then when you got the CD and you put it in your MAC, you could shop by catalogue. So instead of getting 50 paper catalogues, you got one CD. You could say, "I'm looking for red sweaters for under \$50," and it would go through all of the catalogues. It could also show you what that sweater would look like in blue. Then if you wanted to order it, you would give us your credit card once and then you could order it online.

While everyone was hyping 500 channel universe, interactive shopping, we actually created one. So here was this little company in Vero Beach with private satellite networks and publishing properties, and CD-Rom, and now this new integrated shopping system, we just got trotted out at every trade show. Barry Diller came down to see what we were doing, John Malone and Jerry Levin checked us out. It was beyond hype and hot, that's how far ahead we were. We ended up raising \$8 million in venture capital, but now we were in the incredibly tough environment of losing money. We were launching all of these new businesses, and we were losing a ton of money – like a web company.

Before I raised my first round of venture capital, in 1988, we were working with a local bank. We had a receivables financing credit. We would send a bill out to a customer and the bank would loan us 80% of that. So our business was always good, but we had to hire people and send out cash. In 1987 there was a market crash, not unlike what happened this year. There was a real estate melt-down and the local banks got nervous.

So in October of 1988, my son was born. Two weeks later my mother died, and two weeks after that the bank said they were pulling the loan. Basically I had no money. I got a second mortgage on a piece of land that I had, and I remember sitting at my mother's funeral and saying, "Well as an entrepreneur you always asked what was the worst that could happen." So this was the worst that could happen and you can either throw your hands up in the air or get to work. I basically needed a million dollars by the end of the year to keep the company afloat, and then obviously I needed to raise venture capital. I got very fortunate. I called an angel investor, a local guy, and after two meetings he said, "I don't really know what you're talking about but I have heard you are an honest guy and have a lot of enthusiasm. You were very successful before. I'll back you." Just a little side note, he gave me a million dollars and he got a million shares in Redgate. He held it all the way through the AOL merger so he got AOL stock and made over \$80 million on his investment. So he is a very happy angel right now.

## **Politics, Business & the Silent Majority**

DSM: Let's talk about your political efforts. I understand that your involvement dates back to your college days. Tell us how you got to be Mayor of Orchid, Florida.

TL: When I was in college I ran a friend's campaign for Congress. In high school I was involved in Paul Tsongas' campaign. I actually went to Georgetown to be an intern and I worked in Paul Tsongas' office throughout my years in D.C.

So, Vero Beach is a sleepy little town and the town of Orchid is a sleepy little town. The young people I recruited for my company, we got up to 150 people, and we became the hot company in town. We were the kind of business that that people wanted. We were young. We didn't manufacture anything. We paid our people very well and they were very educated. I felt there was a bit of a vacuum so I ran for Mayor, and I became Mayor of the town.

I actually was Mayor for 6 years and again, I learned a lot about consumers. Every experience amalgamates into your worldview. Being Mayor of my town helped me enormously when I was running the main branding at AOL. I was President of the AOL brand for three-and-a-half years, and being the President of Brand is like being Mayor of a town. You have this population explosion, people are moving in and the infrastructure sometimes fails you. Now that I own sports teams, it's the same thing. You have constituents who vote by buying season tickets from you.

The real thing that I learned from being Mayor is that the silent majority is really who matters. That in politics, in sports teams, at AOL, there's 80% of the audience that for the most part is happy. Then there's the 10% of people who will have comments on something. In Vero Beach it might be, if you lived on the beach it might be, "We need to protect the beaches and bring more sand in after the storm." If you lived west of town it was, "You can't help the wealthy people. They shouldn't be living on the beach." The 80% in the middle didn't care. With my hockey team, I will literally get e-mails that say, "I hate everything about going to the games. The music is too loud." That will be followed, literally by an e-mail that says, "Why are you playing organ music? You should be playing Marilyn Manson." If you overreact or lurch in between those two fringes you forget about that 80% which is the mass market, the silent majority.

So politics and working with people is like selling your ideas to a consumer. So I have always looked at it being parcel and parcel of what my career has been about, which is really trying to hone in and find out what motivates a consumer, and taking things that are very complicated; either technology or public policy, and packing it up in a very easy to understand, easy to assimilate fashion and then getting people results. I think that's what we've done with AOL. I think that's what we've done with our sports team, and that's what I think I did in City Hall.

DSM: As an executive with AOL you have maintained a lot of contact with consumers.

TL: Well, when I first met Steve Case when they acquired my company, I came up here for our first off-site. And we would take an exam, called a Meyers-Briggs exam. I didn't even know what it was. Steve and I were very close. I felt we were exactly the same, and then we take this Meyers-Briggs exam and I was an "ENTJ." I'm extroverted, intuitive, thoughtful and judgmental. Steve was an "INTP." He's introverted, intuitive, thoughtful and a potentializer, totally opposite of being judgmental. And the "E" in me was very, very high. When I'm trying to learn something, or if something isn't working, or if I'm in crisis, I go out into the masses to get input. I want to find out what's the issue. Other people may withdraw or go into themselves.

A classic case of that is when I bought our hockey team. It was in a lot of trouble. It had 29-hundred season tickets and the arena holds 18-thousand people. So the first thing I did was reach out to anyone who was a season ticket holder; face-to-face, in focus groups or by email, and I said, "Why don't you love your team? Tell me what you don't like." Boy they let me have it! So I published the list. There were 125 things that they said they don't like, and I told them, "I'm going to remove every one of those impediments and make you fall in love. I'll communicate to you and you'll help and give us input. We'll create a community because it's really your team, not my team."

We've now done 106 of the 125 things, which ranged from things like, "The prices are too high. The glass is too dirty. It's too cold in the arena. We don't have any superstars on the team. The Metro shuts down too early so I'm scared I'm going to miss the Metro going back." So I said, "Okay we'll hire people to clean the glass. We'll lower ticket prices." I met with the Mayor and he agreed to let a Metro train go 40 minutes later. And just by reconnecting that way with the fans, I have received more than 20-thousand emails and have answered more than 17-thousand of them, we're the number one fastest growing team in the NHL for the last three years.

The Wizards this year with Michael Jordan playing with us, we're also the fastest growing team. So I've just grown up in an environment between Wang being fast growing, AOL being fast growing, my publishing companies, and now my sports teams, and I really believe that the best way to succeed at something in a consumer business is to give it back to them.

### **"Will Steve Case's Mom Love This Service?"**

TL: One of the happiest days of my career at AOL was when Microsoft announced that it was going to call his network, 'the Microsoft Network.'

DSM: Let's give some context to that. You're always jumping into crisis. When you came to AOL it was 1994.

TL: 1993

DSM: 1993, and Microsoft and you guys, well, you describe the situation.

TL: Well AOL had just gone public and acquired my company. Redgate had about 150 people and we merged the companies and I became President and Steve (Case) became Chairman and CEO. But we were at a crossroads. What were we going to be when we grew up? We had many options. One was to be a creator of private company networks. We had done one for Commodore and Apple; E-World was built on our technology. So that was an option, be a systems integrator and license our technology and expertise to companies. The second was; should we become more of a business-oriented network? We were a consumer-oriented network, and Prodigy and CompuServe were trying to be all things to all people while at the same time Microsoft decided that it was going to enter the online business with Windows 95, which was the big concern. My assessment when I came here was that the company was potentializing, and sometimes when you potentialize too much, it's hard to make that tough judgment of what you going to do.

So again, during my first month in the company I did nothing but meet with every single employee in the company. I spent a half an hour with every single person in the company. I then would spend nights, because my family hadn't moved up, buying pizza and going into the customer support centers, putting on headsets and listening to customer calls. 6 weeks into it my recommendation was, Microsoft was coming. We need to differentiate ourselves from Prodigy and CompuServe. The best road for us was to become a media company. We really needed to look at AOL like it was a cable company and make channels so that it could get subscription revenues and advertising revenues.

When I joined we had chat rooms and a newsstand. You would go into the newsstand and there were all the publications in alphabetical order. That was basically AOL. The big thing that we did was really position ourselves, and make the service look like a media company. I created something called the 'channels programming metaphor,' which really was such a powerful idea that the entire web, Yahoo, Excite, followed it. The idea that you could go to say, 'Sports' and find content on sports, community on sports and commerce on sports, and that had never happened on an on-line area. So that also led us to segmentation in our marketing, we could now go on and start to sell advertising.

My feeling was it was going to be easier to compete with newspaper companies and the Time-Warner's of the world, than it would be to compete with Microsoft because I had grown up in the PC world. I had seen what they had done to companies like VisiCalc and Lotus. So we moved very quickly to build a brand and be very, very focused on consumers. In fact we made it a religion that we wouldn't try to be cool. That one change, or that one real focus really helped enormously because there was a lot of hype at the time about ISDN, cable modem, 500-channel universe, and we said no, consumers connected over 12-hundred baud, 24-hundred baud, 96-hundred baud. We made our service almost dumbed down because we didn't want to give great demo. We didn't want *PC Week* saying we were cool. We wanted Steve's Mom, that's what we always talked about, "Will Steve Case's Mom love this service?" And still to today, that channel programming metaphor, that ease of use works. You know Bob Pittman when he came here made our tag line, "So easy to use, no wonder it's number one."

When I joined the company we had 300-thousand members. We now have 31 million members. At a big kick-off meeting that we had in 1994 I said, "In two years we will be the first billion dollar interactive services company. In ten years we'll be the world's biggest media company." I did that to motivate people, give them stretch goals. We were all younger then and it was fairly bombastic but we hit that billion dollar number really easily, and last January we acquired and merged with Time Warner. Now we're the world's largest media company. I love it when a plan comes together.

## 101 Things to do Before I Die

DSM: It would be unforgivable if I didn't ask you about a much-publicized event in your life. It has to do with a list you made when you were on an airplane. Tell us about that.

TL: When I sold my company to International Thompson I was single. I was worth a lot of money and I was on top of the world. I was living a life that was way beyond my expectations and what my parents thought. I was 25 years old. I was living on the beach in Florida. I had millions of dollars in the bank. Well, I got on an airplane to go to New York and it went through Atlanta. When the plane took off, we lost our flaps and our landing gear. It was an emergency situation. In fact they ended up landing in the old Atlanta airport, not the new one, and we jettisoned our fuel.

If you have ever been in an emergency situation on a plane, it is very antiseptic. They just moved the stuff out of the overhead bins. They caste the plane, they moved men to sit next to women, kids to sit next to men, and basically they don't talk to you much. They tell you to brace, that's it. And we had a good 25 minutes from when they told us what was happening to jettisoning the fuel and making an emergency landing. When we were on our way down, I wouldn't say I was scared. I was annoyed. I'm like feeling really good and I'm being punished for feeling good. And I said, "I promise if I make it through this, I'm going to play offense with the rest of my life. Please let me live God. Please let me live." It was a very rough landing. We bumped around, but obviously made it.

I guess that was a Wednesday, and Saturday at home around the pool, I said, "Okay I said I was going to play offense with the rest of my life. What does that mean?" So all weekend I sat down with a pad of paper, just writing down, "If I died, what would be the scorecard that said I played offense, that before I died I got all the things done that I wanted to do?" So I wrote down this list. It was kind of stream-of-consciousness over a weekend, and it ranged from, "Get married. Have children. See grandchildren. Give a lot of money away to charity. Win a championship. Buy a sports team." It just rambled, "Go into outer space. Catch a foul ball. Take a company public. Be on the cover of a magazine." It was just stream-of-consciousness. So I said, "Okay now I have this list, so let me try to do things. I want to see a live, active volcano and one day I was watching TV and this volcano goes off on the big island of Hawaii. Four days later I'm on an airplane, I'm going to see it. It was awesome.

Every year I try to do two of them, and how I got into sports was, someone had written an article about me and the list, and they published the list. And Mr. Nollin who was selling the teams here had a junior partner and needed someone who would be the lead. So he read this article and called me and said, "Hey, how would you like to get number 17 off your list? I want to buy these sports teams. I need a majority partner." The list, some people think it's goofy. It's almost become over analyzed. I mean, it is what it is. But I'm going to get all 101 done and then when I really do pass on, well, I want them to pass that list out so they go, that was a life lived in full. I encourage my friends to do it and we exchange when we get one off the list. I think it's a really good exercise.

## **September 11, 2001**

DSM: Can you tell us how the events of September 11<sup>th</sup> have impacted you and your company?

TL: It was really amazing. The September 11<sup>th</sup> tragedy in my lifetime is probably going to be the event that you remember, like the Kennedy assassination, and the Challenger blowing up, because I lived in Florida. Many time companies can lose their way a little bit. We merged with Time Warner, a big company on Wall Street, and this tragedy happens. Our company all of a sudden, in hours, realizes we're right in the middle of this. That what we said, "the magic of online," is now being lived out. People are using email and instant messaging in a profound way, "Are you there? Have you seen John? Are you okay?" They're coming online to get information then they're going into chat rooms and message boards to commune with a large group of people. They're using their wallets to donate money. And for AOL, in this bizarre way, we've become central to people's lives. We matter. We have a mission. We're important. The company did unbelievable things. I honestly have to say that I've never been prouder to work at a company because when the phone system didn't work we rushed 100 of our mobile communicators down so people could communicate. We've raised I think, \$20 million online from our members to give to the fund.

So for me the personal tragedy side of it, living in D.C. and having offices in New York, it was just beyond comprehension. Last Monday I went down to Ground Zero with Michael Jordan. We walked around and met some of the firefighters and policemen. Until you are there, you can watch it on TV a million times, but until you go down there and see what happened, it's beyond comprehension. And our company ended up playing a role of like glue. We sent one billion, two hundred million instant messages on September 11<sup>th</sup>, and we had some of the best sign-up days in our company's history on September 12<sup>th</sup> and 13<sup>th</sup>, because people realized, "I can't live without this online medium."

## **The Leonsis Legacy**

DSM: Last question and it's always the hardest. You're doing this interview for posterity. When our children's children look back on this time and our technology, and the people who are shaping it, how would you like your role to be remembered?

TL: I think that I'm very grateful for all of the gifts that have been given to me. The thing that I've always wanted to be is positive. I think that we live in this extraordinary time. That between the technology, even with our economy being the way that it is and how it cycles, the opportunities for people to better themselves through finance, through technology, is extraordinary. We all grew up in the 1960's and 70's, we're idealists, and there's so much cynicism in the world. It's so easy to not do things, and what I've learned is that spirals either go up or spirals go down. Keeping the spiral going up in your personal life and your career and what you do in your community is a lot of work, but sometimes I see people putting as much effort into being nay-sayers and negative and cynics. What I like to look at is we have this unbelievable opportunity to make the world better and I'm fortunate to be in a company that thinks that is one of its missions. That it is not just about how the stock is performing or what

the quarter is. I think people at this company really think they're doing something that enhances the lives of people.

The money that we've made here has allowed us to do things to help charities. I think that philanthropy and public service are really important. So what I would like my children to understand is that you can become self-actualized and we live in a time in the world when you are allowed that. So many people have that opportunity and they choose not to do it. To become self-actualized and live a full family life, a whole career, and right now, that good third place for me is charities and my sports teams. That's a much better way to leave a small footprint on the sand than not get involved. So the online medium, the arc of my career life so far, it has fit pretty good. But I'm just getting started. I'm 44-years-old. I have a long way to go. I'm just trying to build on this body of work, and on occasion I don't think I should or could be a role model. On the other hand, I'm kind of living the American success story. A waiter's son, son of a Greek immigrant, and I've ended up doing okay. So if I can do it I think anybody can.

DSM: Thank you very much