



THE DIGITAL LIST

Funny Is Money

Five years ago, Funny or Die launched big with a trash-talking 2-year-old. Now the creators of Hollywood's breakout viral content site, Will Ferrell and company, have Mike Tyson as Herman Cain, Marion Cotillard with breasts on her head and, most important, an actual money-making venture



By *JAY A. FERNANDEZ*
& *PAUL BOND*

Photographed by
DANIELLE LEVITT

DURING A RECENT REPUBLICAN PRIMARY debate, Michele Bachmann spoke of having “dozens and dozens of children without once having sex,” while Ron Paul pushed his new book about how to keep kids out of abandoned amusement parks. When moderator Larry King asked Rick Perry about the gap between the rich and poor, he said: “Right now, my brain is thinking of this really funny, racist joke about this Injun and this colored fella — I’m sorry, two colored fellas.”

It may not be immediately apparent, but the debate is a parody. It hit the Internet on Jan. 6, and at 13 minutes it’s one of the longest videos in Funny or Die’s five-year history. Courtesy of distribution partner Yahoo and its 700 million users worldwide — and with 1.6 million views already logged, according to Yahoo — the video has a shot at becoming as popular as another politically themed video from FoD: Paris Hilton’s response to a John McCain ad, which has been viewed more than 10 million times in three years. That would thrill Citibank, which has one of several 15-second ads attached that viewers can’t skip. This isn’t just fun and games, after all. It’s business.

According to the executives at FoD, a producer and online host of comedy videos that was founded in 2007 by Will Ferrell, Adam McKay, Chris Henchy, CAA and others, it’s a profitable business, though how profitable they won’t say. But that it still exists at all is an impressive feat in light of the high-profile failures that preceded it — anyone remember Pop.com from Steven Spielberg and Ron Howard? That online content initiative had major resources behind it but foundered back in 2000 (too expensive, too slow and, perhaps, too early). It took even Amazon seven years to make money.

In terms of branding, it took just a few weeks for FoD to become a hip club. The GOP debate video features not only King and his famous suspenders but also Patrick Warburton as Perry, Erin Gibson as Bachmann, Horatio Sanz as Newt Gingrich, John C. McGinley as Rick Santorum, Mike Tyson as Herman Cain, Reggie Brown as President Obama and Rob Delaney as “Lands End model Mitt Romney.” Performers rarely are paid for their work, but the

Clockwise from top: Ferrell, McKay, Glover and Henchy (plus Cody the dog), photographed by Danielle Levitt outside the Funny or Die offices in L.A. “The thing took off, which we didn’t expect at all,” says Ferrell. “All of a sudden servers were crashing, and it was insane.”

Shirts by Brooks Brothers. McKay’s jeans by Michael Kors. Styling by Carol McColgin

exposure for up-and-coming comedians (like Gibson and Delaney) is invaluable. "This is definitely a brave new world," says FoD creative director Andrew Steele. "The new Belushis and Aykroyds are appearing on the Internet."

Established names like Tyson also can benefit. "I'm just motivated to entertain," says Tyson, who wasn't paid for his Cain videos or the FoD Oscar-talk segment he did last year with Leonard Maltin. "I like to perform and show people that I have the actor side of me. I put Funny or Die in the same league almost as *Saturday Night Live* as far as the spoofs. I don't do it for a fee. I'm getting more and more experience every time I do a skit."

With banks, breweries and phone companies using FoD to sex up their images — and studios and networks to showcase their upcoming projects — CEO Dick Glover acknowledges that when AOL paid \$315 million in February 2011 for the Huffington Post, a company with similar revenue (\$31 million annually), he took notice. "We said, 'Wow, we must be worth a lot of money,'" says Glover, though he stresses that no IPO or acquisition is expected anytime soon. "There is no exit strategy. Let's build this brand, let's build a library, let's build a skill set, let's build lots of money in the bank — then we'll have a zillion options."

In September, the company moved from a former photo lab hidden behind a mini-mall on La Brea into classier digs a few blocks down the street in Hollywood. Given the commitments of their feature careers, McKay and Ferrell now act more as consultants, though Henchy often can be found in his FoD office when not shooting.

"We're always looking at the site," says Ferrell. "Checking things out as fans and chiming in here and there to go, 'Hey, we need more of this or less of that.'"

But Glover, Steele and president of production Mike Farah run the operation day to day, pumping out 25 to 30 videos a month, with Steele making most decisions free of approval. "Part of what we're trying to do is generate that feeling of lean, mean, guerrilla comedy," says Glover. "There isn't a lot of process."

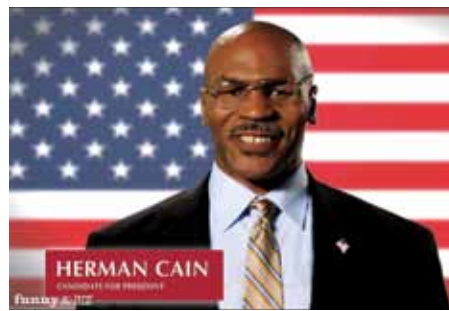
The company's strategy early on was to be an ad-supported site in the YouTube mold, only much more targeted. Eventually, it expanded into sponsorships, and a branded-content department was created to broker deals that involve more immersive advertising, with the buyer underwriting the cost of production. It can be a tightrope, with FoD protecting its reputation as a rock 'n' roll, answer-to-no-one outfit while being mindful of its need to bend to the occasionally conservative wishes of the brands that are footing the bill.

"We never wanted it to be forced and sweaty ... just a cool, fun thing to play around with," says Ferrell. "And as that slowly caught momentum, bigger and bigger names started getting attracted to it, as well as their representation, and studios, and they all started seeing it as a tool to promote things. But all the while, we wanted it to seem like it was slightly on the edge and punk rock."

Mini Cooper, Starbucks and Discovery Channel's Shark Week are some of the brands that have commissioned sponsored videos, which account for about 15 percent of FoD-created content on the site. Steele and Farah have a monthly production budget they can spend on any number of videos

they choose, and in-house productions still average as little as \$2,500 for outside costs. Branded videos come with their own, generally larger, budgets. Some brands are looking to amp up their cool factor, while others, as was the case with the Hyatt hotel chain, want a way to keep eyeballs on an otherwise dry website for a little longer. These brands are happy to tout their relationship with FoD. They're not just paying for the creation of funny videos — or to be incorporated into an existing series, as Mennen has done by paying to have Zach Galifianakis goof on Speed Stick deodorant during episodes of *Between Two Ferns* — but also for the privilege of having them reside at FunnyorDie.com, a site frequented by nearly 4 million people a month, according to ComScore, who watch videos there 60 million times each month. (The company says that as many as 16 million

At a White House holiday party first lady Michelle Obama told Ferrell she'd seen 'The Landlord' and then blurted out the famous line, 'I want my money, bitch!'



Clockwise from left: Tyson as Herman Cain in one of several recent videos that lampoon GOP primary contenders; Helen Mirren and FoD fan Crystal, who pitched a video that imagines a *When Harry Met Sally* ... sequel; the cast of "Field of Dreams 2: Lockout," starring Taylor Lautner.



a video from Pharrell Williams that was nixed.

FoD never buys or owns the content amateur talent provides, so those filmmakers can do whatever they want with it, and FoD promises it will never exploit user-generated content in another medium — such as compilations. Those videos are left unedited to sink or swim, and there are plenty of poorly received clips that have never been heard from again (the "or Die" option).

"Our mantra is: 'Content drives the deal,' not 'The deal drives the content,'" says Glover. "It is the ultimate integration of a product into a form that is hopefully wildly entertaining. Talent doesn't want to get abused, and a brand doesn't want their message to get lost."

So far, so good. Two years ago, FoD typically worked on two branded campaigns a month, whereas it's about six today. "We're

seeing a good amount of repeat business," says Chris Bruss, who oversees branded entertainment for FoD. He won't let on how much FoD charges for its branded entertainment efforts, only that no two deals are structured the same way and that things can get pricey when celebrities — who can share in profits — become involved. Insiders say that branded campaigns can run from \$100,000 to \$900,000, depending on how many videos are created and other criteria. That money covers production costs and goes to cinematographers, production designers, costumers and other crew, many of whom work with FoD repeatedly at standard, low Internet rates.

In Glover's formulation, the company has been "sustainably profitable" since the fourth quarter of 2010. Since the company is privately held, FoD won't disclose its financials. Tom Taulli, author of the book *Investing in IPOs*, predicts FoD will post \$40 million in revenue in 2012 and could be worth close to \$300 million if it were to go up for sale.

The company also is evolving into a genuine TV production studio. TBS is doing a reality pilot off the FoD sketch "Undercover Karaoke," in which pop star Jewel disguises herself as a businesswoman to belt her own songs at a karaoke bar. Fuse just premiered *Billy on the Street* with improv comedian Billy Eichner, and HBO has picked up *Funny or Die Presents* for a third

season. The site's feature-film influence is beginning to bear fruit as well. *Tim and Eric's Billion Dollar Movie*, which came about through the relationship of creators Tim Heidecker and Eric Wareheim with the FoD principals, is set to premiere at the Sundance Film Festival on Jan. 20 before its release through Magnolia Pictures in March. Ferrell and McKay are executive producers. And Farah has been on the hunt for a script that they could turn into a movie for less than \$1 million and promote entirely through the site's social media.

As part of its mission to maximize profitability while keeping a tight rein on costs, the company leans heavily on social media. Everything at FoD is broken down into 25 categories — a political video, for example, would get shot over to the Huffington Post, Politico and others. The recent GOP debate video was an FoD idea that drew interest from multiple distributors; Yahoo was chosen because of its huge reach and partnership with ABC News.

Ultimately, the actual penetration is hard to gauge, though Ferrell has a pretty good idea. After years on *Saturday Night Live* and huge film hits such as *Elf* and *Blades of Glory*, Ferrell is recognized all over the world by fans who aren't shy about quoting some of his famous lines back to him. But one encounter in 2010 caught him off guard. Ferrell and his family received a surprise invitation to the White House Christmas party, where he and his wife, Viveca Paulin, found themselves sitting with first lady Michelle Obama. While chatting amid the holiday lights and high-level Cabinet members, the FLOTUS unleashed an unexpected compliment.

"I just have to tell you, I saw 'The Landlord,' and oh my gosh ..." she said to Ferrell. Then, with a chuckle, she threw out the infamous line: "I want my money, bitch!"

"Landlord" was FoD's calling card, a 2½-minute video featuring McKay's daughter that was first unleashed April 12, 2007, when Henchy, McKay and a few others involved in the site's creation e-mailed the link to 10 friends.

Nearly five years later, FoD's staff has grown to 73 people from an idea Sequoia Capital partner Mark Kvamme first had in 2006. He was visiting the CAA offices in Beverly Hills and met with its head of business development, Michael Yanover. Kvamme's venture capital firm was on a successful run of funding top-tier web initiatives like Google, PayPal, Oracle, Yahoo and YouTube. While kicking around ideas, Yanover suggested a site that included professional content to augment the amateur, user-generated kind. Coincidentally, Kvamme's son Michael, an aspiring stand-up comedian and videomaker, had been griping that it was too hard to find decent original comedy material among the sea of crap on YouTube. Why not do a Hot or Not-style site with comedy content? he suggested. Bingo.

Yanover and Mark Kvamme knew that comedy, unlike sci-fi or action, had

TOP 10 MOST-VIEWED VIDEOS

Of the millions of comedy bits, these are the best of the best



1. "The Landlord" (2007) ▲ 78,250,250 views
2. "Bieber After the Dentist" (2010) 41,139,996 views
3. "Good Cop, Baby Cop" (2007) 17,563,404 views
4. "Rachel Bilson's Deleted Sex Scene" (2009) 17,124,761 views
5. "Eva Longoria Sex Tape" (2007) 15,203,634 views
6. "Bieber Takes a Tumble" (2010) 14,825,062 views
7. "Eva Mendes Sex Tape" (2010) 12,727,650 views
8. "Bieber Takes Over" (2010) 10,471,414 views
9. "Paris Hilton Responds to McCain Ad" (2008) 10,131,280 views
10. "Dramatic Bieber" (2010) 10,016,866 views

Number of views as of Jan. 6

THE FUNNY OR DIE MVPs

The 10 men — and one foulmouthed little girl — who laid the foundation for the digital comedy empire



Dick Glover
Funny or Die president and CEO
A veteran of ESPN, Disney and NASCAR, Glover took on the top spot in early 2008.



Andrew Steele
FoD creative director
An SNL colleague who wrote for Ferrell, Steele was brought on in mid-2008 to watch over the site's creative sensibility.



Mike Farah
FoD production president
The company's first in-house producer, Farah now launches 30 original videos a month.



Will Ferrell
FoD co-founder; actor-writer
The movie star-turned-web entrepreneur traded \$100 million budgets for \$100 budgets and a whole new level of notoriety.



Adam McKay
FoD co-founder; writer-director
A Ferrell collaborator since the mid-'90s, McKay invests the brand with topical humor and political edge.



Chris Henchy
FoD co-founder and writer
The TV producer became a creative partner in Gary Sanchez and FoD while forging a screenwriting career.



Judd Apatow
FoD co-owner; writer-director
The early addition to the team was instrumental in bringing celebrity talent while often contributing to the site himself.



Mark Kvamme
Sequoia Capital
A successful web-based venture capitalist, Kvamme helped develop and invest in the idea, then saved it once it exploded.



Michael Yanover
CAA head of business development
Along with a colleague, Yanover secured investors and recruited the Sanchez crew.



Michael Kvamme
Kvamme's son, a comedian
A complaint to his dad about the absence of well-curated Internet comedy sparked the site's voting structure.



Pearl McKay
McKay's daughter, a child
The toddler's talent for mimicking her parents' verbal prompts went from parlor trick to Internet sensation.

WILL AND ADAM'S FAVORITE NON-FUNNY OR DIE-CREATED VIDEOS

The co-founders are always "checking things out as fans"



1. "David Blaine's Street Magic Part 2" (2007)
1,686,192 views

"The second one might even be funnier," says McKay. "Fantastic."

IMMORTAL

2. "What's It Gonna Be?" (2007)
884,368 views
- "It's a music video, crazy funny," says Ferrell. "One of my all-time favorites, definitely."

IMMORTAL

3. "Sleep Running Dog" (2009)
14,500 views
- "I watch it with Pearl, who's 6 years old, and we'll watch it 20 times in a row and laugh," says McKay. "Cross-culturally, it might be the funniest video — anyone from the age of 2 to 110 from any country will watch it and laugh."

97% FUNNY

4. "Creepy Weatherman Fan" (2008)
167,937 views
- "We cannot figure out if they're in cahoots with each other — if it's an actor doing a bit — or if it's a real person," says Ferrell. "It's artfully done if it's staged."

79% FUNNY

5. "Ham Hat" (2009)
34,240 views
- "Ferrell and I love that," says McKay.

63% FUNNY

Number of views as of Jan. 6



By early 2007, Yanover, the Kvammes and Henchy tracked down Ferrell and McKay in a room at the Bel Age Hotel (now the London West Hollywood), where the sweatpants-clad writers, surrounded by pizza boxes, were bullying together the *Step Brothers* script. They were told it was in-or-out time.

"Jimmy Miller, who was also involved in setting this deal up, said to us, 'There's really nothing to risk,'" says McKay of the Mosaic manager who reps the Sanchez trio. "He said, 'At best, you're going to get a situation where you can do sketches that you can't do on *Saturday Night Live* and discover new talent. It could be really fun. And at worst it goes nowhere and you don't lose anything.' And that was really what got us over the hump on it."

McKay and Ferrell brainstormed ideas, collecting one from Michael Kvamme and one from writer-actor Nick Thune that featured him masturbating. They shot a video with Ferrell taking McKay's wife, Shira Piven, on a date to an outhouse. And McKay was convinced he could make something funny out of his daughter Pearl's ability to regurgitate anything he said to her. Others were dubious.

But on April 12, a Thursday, the FoD "staff" — Kvamme, Yanover, Henchy, Ferrell and McKay — each e-mailed a link to the site, which then contained just 10 videos, to 10 friends. That was it. That was the marketing plan.

One of the videos was "Landlord," which was shot and edited by a friend

the added benefit that it could be produced guerrilla-style, in large quantities, with very low production costs. And if all those goofy kiten videos everyone's mom e-mails around were any indication, the better videos would easily go viral. All FoD needed was a few recognizable names to headline the project whose reputations would draw additional actors, writers and filmmakers to feed the professional content they would lay atop the amateur stuff. Oh, and it would be helpful if those headliners were very, very funny.

By early spring of that year, Ferrell and McKay were putting the final touches on their summer release *Talladega Nights: The Ballad of Ricky Bobby* and planning, with Henchy, to launch a new TV and film production company called Gary Sanchez Prods. (named after an invented Paraguayan entrepreneur). As head writer on *SNL* from 1998 to 2001, McKay had written for Ferrell for years and helped launch the show's digital shorts, so he knew the comedy short-form well. And Henchy had been producing TV shows such as *Spin City* and *Entourage*. Everyone agreed that the Sanchez guys were the perfect comedy crew to leverage for FoD. There was only one problem: They didn't want to do it.

"Our first response, especially in light of the tech crash in the late '90s, was no," says McKay. "We were just so dubious of any kind of startup, dot-com venture because all that garbage from the late '90s had all evaporated so quickly." But the idea stuck with them. Throughout the summer, Yanover and Kvamme worked on designing the architecture of the site, the technology and the launch plan. At one point, they stopped by Ferrell's trailer on the set of *Blades of Glory* to discuss progress, and Ferrell asked, "So how much money do we have to shoot these videos?" When they informed him that the budgets would land somewhere just north of the zero-dollar range, the \$20 million star blinked and said, "Really?" McKay remembers the site's initial budget as around \$35,000. But Mark Kvamme knew that the site couldn't be corporate-backed with millions of dollars. At least not right away. To have credibility, it had to grow organically.



Says Farah (third from left, with FoD staffers Darryl Gudmundson, Betsy Koch and Seth Morris): "Every single video we do, the producers have to be savvy and strategic enough to figure out a way to get it done at a price." On the wall is a photograph of Cotillard in her "Forehead Tittaes" costume.

of McKay's named Drew Antzis, a massage therapist at the time. And it involved a little girl berating a whining movie star. By Sunday, it had gone mega-viral. When the team reconvened Monday morning at the bungalow office they were using in Hollywood's Whitley Court, Kvamme had great news and potentially terrible news: The traffic explosion was so unexpected — tens of thousands were viewing it and passing it on — that they were short servers and the site was in danger of crashing. "And we just start giggling," Ferrell says. "We're like, 'Really? Are you sure?' And he's like, 'Oh, yeah, we're sure.'"

Within a few days, FoD was on the radar of the voracious comedy-consumer community, which began uploading its own videos, YouTube-style. Unadulterated, uncensored videos came flowing in, so Sequoia threw \$500,000 of seed money in to bolster the infrastructure.

To amplify the comedy-cool quotient, the founders recruited old friend Judd Apatow, whose *Knocked Up* had just completed a very successful theatrical run. Apatow long had been a magnet for young comedy talent, and he would be a major draw for professional contributions to the site. He came aboard as a co-owner in October 2007, and though he, Ferrell, McKay, Henchy and CAA have no money in the venture, the agency, Apatow and Gary Sanchez are minority shareholders in the company. (Glover declines to specify ownership stakes but notes that no single entity has a controlling share of the equity.)

By the end of the year, celebrities were showing up. Eva Longoria delivered a fake sex tape, Jack Black and Michael Cera starred in episodes of

and a number of parallel "Or Die" efforts were abruptly ditched in favor of focusing on the core comedy brand.

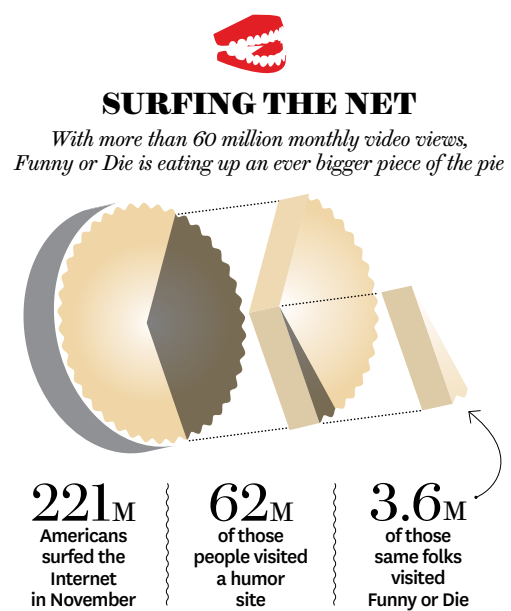
While FoD hasn't been the only game in town — College Humor, My Damn Channel, Break.com and Cracked.com also harvest comedy — its professional talent and social-media outreach have given it a higher profile. Once Ferrell and McKay brought in Steele, whom they knew from their time at *SNL*, and Farah became president of production in summer 2008, the "FoD Exclusives" they produced became stuffed with celebrities of one kind or another. Troubled or mocked public figures such as Charlie Sheen and Lindsay Lohan have found the site advantageous for strategic PR massaging, and others have edged up their public image.

FoD also provides McKay, a Huffington Post blogger, with an outlet for his activist urges. The all-star "Presidential Reunion" video that starred *SNL* vets Chevy Chase, Dan Aykroyd and Dana Carvey took aim at opponents of the proposed Consumer Financial Protection Agency in March 2010. Farah says he has spoken to Obama political adviser David Axelrod about doing something with the president as the 2012 election nears. FoD, in fact, recently launched a microsite, Live Free or Die, dedicated to political humor.

But FoD remains best known as the place famous people go to get laughs, usually by using the comedy expertise of the in-house staff that generates three-quarters of the ideas that are ultimately produced. Occasionally, someone outside the company has an idea and some of the elements but wants FoD to come aboard as a co-producer, as Billy Crystal did when he pitched a video about a *When Harry Met Sally...* sequel. Or an internally generated idea is cast and produced like any other project, often with a topical bent, such as the video that showcases Rob Riggle as the less-than-discreet Navy SEAL who took out Osama bin Laden.

The most memorable often happen because a celebrity comes to FoD with an interest in doing something, and the writers and producers pitch ideas until they all agree on a script in a version of the system used at *SNL*. A Hall of Fame video with nearly 4 million views that came about this way is "Forehead Tittaes" with Marion Cotillard.

"That's really what Funny or Die is all about: an Academy Award-winning actress agreeing to do something with Funny or Die that she couldn't do anywhere else on the Internet," says Farah. "She was so known for dramatic and severe roles; she wanted to be seen as funny and cool and not so serious. So she came in and we pitched her ideas, and by the end of that meeting she had agreed to put tits on her forehead." **VZ**



TOP 10 ONLINE HUMOR DESTINATIONS

There's no shortage of comedy online, but Funny or Die is typically one of the most popular destinations among Internet surfers seeking a laugh

1. Comedy Central 9.1M
2. Break.com 8.9M
3. Cheezburger Network 8.8M
4. Cracked.com 7.2M
5. Videobash 6.6M
6. CollegeHumor 5.2M
7. HuffPost Comedy 4.9M
8. Adult Swim 4.5M
9. Funny or Die 3.6M
10. eBaum's World 3.3 M

Source: ComScore. Unique U.S. visitors in Nov. 2011 at home and work locations.

DANIELLE LEVIT