

MySpace is nothing short of a cultural phenomenon. For those who haven't logged on, the site is the online equivalent of your high school lunchroom, your college quad, your favorite bar. Except it doesn't sell much of anything, at least not yet. It's simply a place to hang out and express yourself. The users, the hardest core being teens and twentysomethings, post profiles and decorate them with photos, music, video-clips, blogs, and links. The site is home to 2.2 million bands, 8,000 comedians, thousands of filmmakers, and millions of striving, attention-starved wannabes—100 million, actually MySpace passed that number

of registered users in early August, and on a typical day, it signs up 230,000—roughly the population of Scottsdale. A year ago it passed Google in terms of traffic, and now MySpace ranks second to Yahoo in page views, with one billion daily, according to comScore Media Metrix. While there are hundreds of "social-networking" sites—Facebook, Friendster, Xanga, Bebo, Cyworld, to name a few—MySpace, the most risqué and chaotic of the majors, accounts for 82% of traffic in the category, according to Hitwise, a leading website tracker.

With Murdoch's backing, the site has an astonishing number of projects underway: a Google pact to sell text ads on the site; a MySpace Records label; a VoIP feature to let users call one another; international sites in Britain, Australia, France—with nine other countries in Europe and Asia coming soon. DeWolfe counts 20 new products in the development pipeline. "We think we can extend MySpace around the world and it can

The site is home to 2.2 million bands, 8,000 comedians, and millions of other attention-starved wannabes.

be a major force globally," says Murdoch, whose Internet ambitions have helped drive News Corp.'s stock up 18% this year.

That, however, puts the MySpace guys in an awkward spot. They founded their website on the principles of user control, grass-roots growth, and authenticity. "The users govern the site," DeWolfe says adamantly. But now he and Anderson have News Corp.'s financial targets to hit, a "chief revenue officer" to contend with, and serious pressure to make MySpace safe for advertisers. Already

there's a backlash. Witness sightings of "Tom Is Not My Friend" T-shirts and fake Murdoch profile pages headlined FUQRUPERT and EVIL BILLIONAIRE TYRANT! The question facing the MySpace founders now: Is it possible to sell out without selling out?

IT WAS WELL PAST MIDNIGHT, and Tom Anderson was hard at work. He had been hunched over his computer for 8 hours, refused to break for dinner, and showed no signs of letting up. Why? Well, the "work" was actually scouring MySpace for amazing indie bands. After a meeting to brainstorm about a new venture called MySpace Records, he and Interscope Records senior vice president Luke Wood decided to take a look around for some promising talent. As often happens, MySpace addiction set in. "We sat around his computer from 6 P.M. to 2:30 in the morning and did nothing but listen to unsigned artists," Wood recalls about that night last year. "Tom experiences music in an innate, primal way."

The hours may be long, but that's what happens when your main leisure activity is also your job. "Tom lives inside the prod-

uct," observes Chernin. That's not just a metaphor: Anderson is automatically the first friend of anyone who joins MySpace, and as the public face of the operation, he's photographed with celebrities at company bashes, approached for autographs on the street, and deluged with e-mails from users. (He has put blocks on his e-mail, but if he hadn't, he says, "I would be getting more than 40,000 a day. Now I think I get 2,000 or 3,000.")

Successful startups "tend to have one person who is the soul of the business and inherently understands the users," says Geoff Yang of Redpoint Ventures, who invested \$15 million in MySpace early last year. "The other is the smart businessperson who has a compelling vision." Anderson, then, is the "soul." Typically wearing a trucker hat and flannel shirt (even on 90-degree L.A. days), he has an unvarnished, forthright manner that makes him seem almost childlike. He spends a lot of days

AMAZING SPACE

In three years MySpace has grown from a tiny music site into a pop culture powerhouse.



MySpace premieres REM's *Around the Sun*, letting users listen before the album hits retail. Above, Michael Stipe.



toiling with the techies at MySpace to put out fires or add new features to the site, though lately he's been getting pulled into meetings about partnerships and ad ideas. He sees his role as the "guardian" of the user. Most evenings he's at home alone, surfing the web. Since his band Swank broke up in 2000 (he clashed with a fellow band member), Anderson has had little time to play his guitars or go to L.A. clubs.

Still, Anderson has racked up 100 million online friends. DeWolfe, meanwhile, has 177. Married to a former record executive with his first baby on the way, the businessman with the vision is a lot more polished than Anderson and a lot more guarded. In person, with his laconic charm, shaggy gray hair, and string-bean frame, the 6-foot-3 DeWolfe comes across as uncompromisingly cool. Though he paints himself as a workaholic—at the office from 9:30 A.M. to 9 P.M. most nights—he allows that he spends weekends at a beach "a little north of here" (a downmarket rental in Malibu). He begs me not to name the chic Colorado town where he skis in the winter (it begins with an A). Asked why he's so guarded, he replies anxiously, "I'm—by nature, I'm not a flashy person. It's just not who I am."

Unlike Anderson (and most MySpace members), DeWolfe prefers not to express himself. He keeps his MySpace page private, though he agrees to "friend" me so I can see it. Under "Chris's Interests" he lists: "Work, trying

to figure out new people I meet, going out to bars/clubs (once in a while)..." *Hogan's Heroes* and *Lost in Translation*—about a washed-up actor searching for meaning in Tokyo—are first on his list of favorite TV shows and movies. In the "About Me" section, he writes, "Usually friendly—but sometimes prickly. I like being around creative people, funny people, crazy people."

MySpace's laid-back, anti-authority vibe has everything to do with where its founders came from. DeWolfe, who was raised by two teachers in Portland, Ore., bucked the family tradition by studying business at the University of Washington and then going to USC's Marshall School of Business, while Anderson, whose entrepreneurial father "had one crazy idea after another," rebelled by majoring in English and rhetoric at Berkeley, bouncing from band to band, and eventually going to film school. The two met in 2000, when Anderson, deep in student debt, answered an ad to earn \$20 testing a product for Xdrive, a data-storage company. He hated the Xdrive product. But DeWolfe, who had landed a

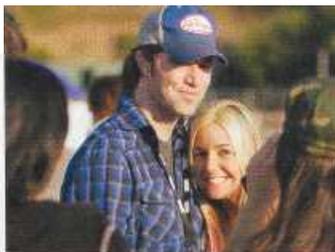
CLOCKWISE FROM LEFT: TIM MOSENFELDER—GETTY; CHRIS WEEKS—WIREIMAGE.COM; STEVE GRANITZ—WIREIMAGE.COM; THOS ROBINSON—GETTY; ARNOLD TURNER—WIREIMAGE.COM; PETER MATTHEW—AP



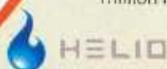
MySpace premieres **NBC's *The Office*** (starring Steve Carrell, above center) as a full-length webisode before the show hits TV.



News Corp. CEO Rupert Murdoch announces acquisition of MySpace parent



MySpace stages its **first large-scale event**, a free concert at Dodger Stadium that draws All-American Rejects, Dashboard Confessional, and 10,000 fans (one poses with Anderson above).



MySpace starts **MySpace Mobile** with fledgling cellular provider Helio.



MySpace teams up with **Interscope** on MySpace Records. Pictured: the boys with Interscope's Jimmy Iovine.



Adam Horowitz and fellow **Beastie Boys** help launch MySpace Film at the Sundance Film Festival.

MySpace Australia opens for business with more than one million registered users.





NEW BOSS
 Ross Levinsohn runs
 Fox's growing
 interactive group.

gig as the company's head of sales and marketing, liked Anderson's candor and offered him a job.

"Chris rescued me from a lifetime of unemployment," says Anderson, who immediately took to DeWolfe's hands-off style. "I remember, I asked Chris, 'What do I do?' He said, 'Go figure out how to make money.' That's why I always liked working with Chris. It was never, 'Here's the job I want you to do.'"

While Xdrive ended up in bankruptcy (a casualty of the dot-com boom), the pair's second venture, an Internet marketing firm called Response Base, took off: Within a year they sold it to an outfit called eUniverse for several million dollars and joined the company. Around this time, in late 2002, Tom decided that social networking should be their next big bet. "I had looked at dating sites and niche communities like BlackPlanet, AsianAvenue, and MiGente, as well as Friendster," he says, "and I thought, 'They're thinking way too small.'"

It didn't take much to convince DeWolfe: At USC he had written a business plan for a community website that he called Sitegeist. "I gave him an A-," recalls Paul Bricault, a William Morris Agency executive who taught the course. Bricault remembers little about the young DeWolfe or Sitegeist. "But I gave

out about one A per semester, so it must have been a decent business plan." (Incidentally, Bricault now works for MySpace: DeWolfe and Anderson hired William Morris to introduce them to media and ad world players.)

Their site launched in 2003, with Anderson and DeWolfe inviting local bands and club owners to post pages and allowing other users to become their "friends." DeWolfe loved those early days when he and Tom had time to go to the Viper Room and other clubs to check out new music every week: "It was pretty much a great way to work." The bands turned out to be their best marketing tool. "All these creative people became ambassadors for MySpace by using us as their de facto promotional platform," DeWolfe says, adding, "People like to talk about music, so the bands set up a natural environment to communicate." (They didn't know what to name the site until one friend reminded DeWolfe that he had, a year earlier, bought the URL myspace.com, thinking that he might start a web-hosting company.)

Hating the idea of any rules, Anderson and DeWolfe insisted on building an "open" site. Any stranger could peruse any profile, join the community, and post pretty much anything he or she pleased. That made raising money—at least at first—tough. "We'd get calls from investor types who wanted to meet us," recalls Anderson. "They would say, 'Your site isn't professional. Why do you let users control the pages? They're so ugly!'" DeWolfe says that just about everyone, including key executives at eUniverse, told them, "You can't make money from user-generated content."

But MySpace just kept signing people up. At the same time, rival Friendster, which was once the hottest social-networking site, was stumbling badly, giving Anderson and DeWolfe a lucky break and a roadmap for what not to do. "We grew so fast and could never keep up," admits Friendster president Kent Lindstrom. "Our page-load times were 20 to 30 seconds when MySpace's were two or three seconds." Secondly, Friendster management sanitized its site—much to Anderson's delight. "They had no room for fakesters," Anderson says. "If a dog or a city or an idea had a page, they would delete it. Could anything better have happened to us? People said, 'I'm going to go to MySpace because I can do what I want there.'"

When News Corp. came knocking in June of 2005, Anderson and DeWolfe were torn. They and the board of their parent company, which had been renamed Intermix Media, needed capital

LEFT TO RIGHT: JOHN SHEARER—WIREIMAGE.COM, LESTER COHEN—WIREIMAGE.COM, JOHN SHEARER—WIREIMAGE.COM

to keep up with the site's torrid growth. Having lived through the dot-com bust, the money they'd make was no joke either. But the founders were wary about submerging their "anti-authority" site to, well, authority. DeWolfe told Ross Levinsohn, who heads News Corp.'s Fox Interactive Media unit, that he worried about "losing the brand, the personality, the culture." And losing it to vast, conservative News Corp., at that! "They weren't too keen on the deal," admits Murdoch. "They could get more money later, if they waited to sell. And they had a reluctance about being corporatized." A meeting in Murdoch's office on the Fox lot—at which Murdoch vowed, "We're not going to tell you how to run the site"—convinced DeWolfe it could work. (How much did DeWolfe and Anderson make? According to public filings, DeWolfe got \$2.9 million from the deal, but that's surely conservative. The pair got millions more from their stake in MySpace Ventures—a minority owner of the site—plus handsome contracts when they joined News Corp. The company won't discuss the matter.)

Murdoch did have some ideas, though, about running the business, as Anderson—"who is nervous that we'll put him in a straitjacket," according to Murdoch—quickly learned. A few months after the acquisition, News Corp. disclosed plans to

DeWolfe was worried that selling to News Corp. would hurt "the brand, the personality, the culture."

Do they hate the place? No, insists DeWolfe, but he says, "We've gotten a dose of reality. We don't own the site anymore." Anderson is more candid: "Before, I could do whatever I wanted. Now it takes more time to get people to agree on things. All the budget reviews and processes. That can be a pain. But it's not stopping us."

The upside, of course, is the sugar-daddy factor: that deep-pocketed parent to back your best ideas. Of the 20 new products in development, DeWolfe is particularly excited about VoIP, the 11 new international sites, and MySpace News. Several e-commerce deals—including a likely partnership with eBay or Amazon—are in the works, as is a MySpace Sports site and MySpace Fashion. DeWolfe and executives at Fox Interactive Media, which oversees more than 20 News Corp. Internet businesses, are also upgrading MySpace's photo- and video-storage capabilities to compete with the likes



FACE TIME Lance Bass, Snoop, and Maggie Gyllenhaal pose with Tom, who becomes your first friend when you join MySpace. (That's Chris in the center.)



move MySpace from Santa Monica, a block from the beach, to Beverly Hills, where News Corp. was consolidating its Internet properties. Anderson and DeWolfe were horrified. Over drinks at Casa del Mar, a hotel in Santa Monica, Anderson laid out his objections to Chernin, arguing that the move would wreck the laid-back MySpace culture. "What I like about Tom is that he's so straightforward," says Chernin. "If something's bothering him, he comes right at you." Chernin listened and said he'd call in a couple of days with his decision.

M A LITTLE LOST, says DeWolfe. We are winding through MySpace's spanking-new headquarters in TheirSpace—the second floor of Fox Interactive's sleek gray granite office building on Maple Drive in tidy Beverly Hills. A maze of gray cubicles and red walls, the MySpace space even smells new. Compared to mellow Santa Monica, this is, well, different. There are, for example, no good lunch spots nearby, unless you walk five blocks to the Four Seasons Hotel. Not exactly a MySpace hangout. So until the Fox cafeteria opens in September, MySpace provides free boxed meals—breakfast, lunch, and dinner—to all 300 employees.

of YouTube and Yahoo's Flickr. "Chris and Tom are adamant about trying to wage war on a feature basis rather than by blocking access (to other sites)," says Michael Barrett, FIM's chief revenue officer, who joined News Corp. from AOL in June.

Wandering past warrens of tech developers, 140 of them, DeWolfe explains that a quarter of these folks are working on new features for the site. "We're hiring as many people as we can as fast as we can," he says. MySpace needs the upgrade. The site crashed for half a day in late July. Page loads have slowed dramatically, and the site, say tech bloggers, suffers from inadequate hardware and junky code. DeWolfe gets prickly about such criticism. "You could argue that MySpace pushes out features too quickly," he says, "but we also create more features than anybody else on the Internet."

Under pressure to deliver profits—the business brought in just under \$200 million in revenues this year and lost money after acquisition-related costs—the entrepreneurs are building MySpace's ad sales force. They're also collaborating with FIM executives to raise ad rates (an ad on MySpace's home page goes for less than Yahoo's rate of around \$600,000 a day) and attract more national advertisers. MySpace already has a lot of them:



Coke, Pepsi, Procter & Gamble, plus the major automakers, mobile phone carriers, and film distributors, who can't open a youth-targeted movie these days without a MySpace page.

Given that MySpace is raw and bursting with sexual material, the trick is make the site feel safe for advertisers yet authentic for users. P&G, for instance, built a page for a new version of Crest toothpaste titled "Miss Irresistible." While the page has accumulated 38,267 "friends" and more than three million page views, a MySpace monitor constantly scans the page and removes raunchy

"friends." Advertisers such as Honda, Unilever, and Wendy's also have posted profile pages, which sell for \$100,000 and up. Two Pepsi brands, Sierra Mist and Aquafina, sponsor MySpace Comedy and MySpace Film, respectively.

There are some lines DeWolfe vows never to cross. Would MySpace do pop-up ads or charge bands to promote their music? "Not as long as I'm here," he says. Levinsohn, too, appreciates that users rule on MySpace. "If we shoved professionally produced content onto MySpace, we'd be going against its charter and

against everything we believe about where the Internet is going." But Murdoch and his fellow authority figures clearly want to use MySpace as a distribution arm. In mid-August the company announced plans to sell Fox TV shows and movies on MySpace, and Murdoch says he's been approached by other networks. "Whether it's a *CSI* or *Law & Order* or *Desperate Housewives*, we'll welcome the content." DeWolfe says he's fine with the

plan—though he wants to find a way for advertisers to pay for the downloads.

What, exactly, is MySpace turning into? DeWolfe says he sees it as a "lifestyle brand." But a brand has to stand for something. And with all the growth and evolution of the site, it's hard to fathom what that lifestyle even is. No question, the MySpace user base is changing. Some 87% of users today are 18 or older; 52% are 35 or older, according to comScore. Might MySpace become too big and broad and successful to be cool? One MySpace observer, Martin Sorrell, who heads ad giant WPP, believes it could: "MySpace could be like a fashion brand. The more successful you get, the more common you become." DeWolfe disagrees: "We're not deciding what's cool. Our users are," he says. "MySpace is all about letting people be what they want to be."

So you have to wonder, News Corp. employees—is that what Anderson and DeWolfe really want to be? Their contracts expire in October 2007. They won't talk about their plans, but friends say that the guys really don't know what they'll decide a year from now. As Chernin puts it, "It will become apparent whether it's meant to be. I mean that in a mutual sense. Their lives have changed. They need to find their lives exciting and engaging." At this moment at least, Anderson says he's excited enough: "I'd like to do this as long as it's fun, and that could be a long, long time." DeWolfe is more cautious. "It's pretty simple," he says. "As long as we both enjoy walking in the door each morning and we maintain a certain autonomy and we control the direction of the site ..." He stops there. He'll stay at MySpace if he gets all that? Not so fast. "Just say we're happy working here."

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THEIRSPACE
Tom and Chris
resisted the move
to Beverly Hills.

Do Anderson
and DeWolfe
really want to be
News Corp.
employees?
Their contracts
expire in
October 2007.