



# Mr. Skoll goes to Hollywood

**JEFF SKOLL WROTE EBAY'S BUSINESS PLAN. NOW, WITH NOTHING TO LOSE (OTHER THAN A BILLION OR TWO), THE TORONTO BOY IS REWRITING THE WAY MOVIES ARE MADE**

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**Hollywood turned left the day the internet billionaire and the Hollywood star met at the luxury hotel.**

It was the last day that Jeff Skoll, the former eBay whiz kid, would be in Dubai. George Clooney wanted to meet for breakfast. Both men were in the sheikdom for the shooting of the movie *Syriana*—Skoll as producer, Clooney as star.

But Clooney wanted to talk about a different movie at the opulent Shangri-La Hotel. He'd asked for the meeting because he wanted to change Skoll's mind about a project Clooney wanted to direct. *Good Night, and Good Luck* would chronicle broadcasting icon Edward R. Murrow's 1950s showdown with red-baiting U.S. senator Joe McCarthy. Every studio in Hollywood had turned it down, and novice producer Skoll was leaning the same way. He didn't see how the project could make





Producer Jeff Skoll at the Sundance Film Festival in January: He was an unknown last year, but this time, "Everybody knew us, everybody knew our films"



Participant Productions' first fall slate stormed Oscar short lists. Clockwise from right: *Good Night*, and *Good Luck*, *Syriana*, *North Country*



money—especially when Clooney didn't want to play the lead. And the script was a mess.

Still, he listened. During two hours of talk about politics and film, Skoll realized how deeply Clooney cared about the project. As a boy, the star had been regaled with tales of Murrow's heroism by his father, a fellow anchorman. Anyone who questioned McCarthy's inquisition was painted by the senator as unpatriotic, if not communistic. Murrow, however, stared him down. In the here and now, Clooney was still smarting from the backlash he'd suffered for questioning the Bush administration's decision to go to war in Iraq. The allegory was obvious. "The American people need a reminder that we can't confuse dissent with disloyalty," Clooney said urgently, paraphrasing a famous line of Murrow's.

Not only did Clooney care, he'd done his homework: He could walk Skoll through each frame of the project, down to production details like era-appropriate cigarettes.

"It was un-freaking believable," says Skoll. "Four or five months before a single frame was shot, or the script was finalized, [Clooney] had such a vision for the project. And on the spot I said, 'Okay, we'll do it.'"

Good call. Thanks largely to *Good Night, and Good Luck*, this year's Oscars ceremony on March 5 stands to seal Skoll's status as a player in Hollywood. And not just any player. Skoll's Participant Productions is at the crest of a new wave of independently produced, politically engaged dramas, the sort of meaningful movies that haven't been seen since the 1970s. His picture *North Country* appears on two Oscar short lists, it's true, as does *Syriana*. But *Good Night* scored no less than six nominations in major categories, not to mention buzz to kill for. That gut response to Clooney's pitch ended up creating the perfect project to launch a Hollywood revolution.

For a nerdy kid from Canada, it's a pretty good second act.

**Born in Montreal and raised in Toronto by a schoolteacher mom and an entrepreneur father, young Skoll read voraciously. He was particularly inspired by the dystopian novels of George Orwell (1984) and Aldous Huxley (Brave New World), and the historical epics of James Clavell and James Michener. Skoll loved the way these stories showed how an individual could change the world.**

"All these books made the world seem a very small place, very interconnected," he says. "Around the same time, I became conscious of all these scary things happening in the world—



overpopulation, nuclear war and global warming—and that the future may not be a very pleasant place. And I thought, Wouldn't it be great to write stories that made people see these problems that were coming, and got people involved before they actually happened."

But how could one afford to be an aspiring writer? Skoll realized he needed to make enough money to take time off. So after high school, he enrolled in electrical engineering at the University of Toronto. After graduating in 1987, he launched an engineering consultancy that landed him a long-term contract at Ontario Hydro; as well, he ran a computer leasing company, Micros on the Move. One customer who became a friend, Richard Klagsbrun, introduced Skoll to the movies of David Lean and Stanley Kramer, the American producer/director who made memorable entertainment out of such meaty issues as creationism (*Inherit the Wind*), racism (*Guess Who's Coming to Dinner*) and nuclear armageddon (*On the Beach*). These films thrilled Skoll just as much as his favourite books.

Sensing he needed more business knowledge if his enterprises were to keep growing, Skoll enrolled in the MBA program at California's Stanford University. From a course taught by Intel Corp. chairman Andrew Grove, he caught a brand-new business bug: e-commerce. A year after graduation in 1995, the then-31-year-old Skoll became the first hire—as president—of a little-known company called AuctionWeb. Its headquarters was the house of 29-year-old founder Pierre Omidyar, whom Skoll had met at a dinner party. The pair decided they needed

a bigger space, so they moved to the living room of the home that Skoll shared with five friends.

Skoll set to work writing the business plan for what would shortly be renamed eBay Inc. Unlike many web start-ups, eBay didn't try to divert old-fashioned commerce to the web; instead, it invented a brand-new business that could *only* be done on the web, and that could start making money immediately. After many rounds of hiring and the installation of Meg Whitman as CEO, the firm went public on Sept. 24, 1998, closing the day with a market capitalization of \$1.8 billion (all currency in U.S. dollars). Less than two months later, the firm was worth \$5.2 billion, making Skoll's 22% slice worth \$1.14 billion. Not bad—Skoll had purchased the stake for \$68,000, less than a penny a share. "It's bizarre," he told *The Globe and Mail*. "I try not to think about it because I'm so busy and there's so much to do. But, yeah, I think one day, I'll go, 'Holy crow, what's going on?'"

That day came in 2001, after Skoll left eBay. He knew the executive suite of the fast-growing company was now solid, and it was hard for him to keep up the pace there because of the pain he was in from failed back surgery (he'd often conducted meetings lying down).

Free to do whatever he liked, Skoll could finally turn to the big issues that had troubled him as an adolescent. He'd already set up the eBay Foundation to support community organizations; he had also donated \$300 million to create the Skoll Foundation, which functions as a venture capital fund for businesses that have a social-justice agenda. Skoll figured he could now take a crack at writing. But between the Skoll Foundation and managing his fortune, he couldn't find the time.

"It was a little depressing because I thought, at that point, I should be able to write," says Skoll. "But I had all these other obligations. And so a light bulb went off: Perhaps there was a way to find writers that could write these kinds of stories. And the next light bulb went off—better than just writing, what about movies?"

Not to mention, when you go into the movies, there's other factors like the glamour and the joy of the cinema to motivate you as well, right?

"Forget about those," he says. "The sole reason I'm doing this is that there's a major gap in the media today in focusing on things that are of benefit to society. Media, movies, TV are a really good way to reach people. And if I don't do this, I don't know who will. Because, from a financial perspective, it doesn't make a heck of a lot of sense. You have to have a philanthropist's hat on to do what we're doing."

**Of course, Hollywood is a boulevard of broken dreams, littered with the careers of people who caught the dream—would-be writers, would-be starlets, would-be producers. It's not an easy town to crack, as Skoll discovered.**

In 2001, he made his first foray into film by putting \$3 million into Ovation Entertainment, a production company being started up by producer Richard Lewis (*Backdraft*, *Robin Hood: Prince of Thieves*). Lewis, like Skoll, wanted to make socially engaged films, so it seemed like a good fit.

Ovation's best-known project was *House of D*, in which *X-Files* star David Duchovny proposed to reinvent himself as an actor/writer/director; the picture also starred Robin Williams and Duchovny's wife, Téa Leoni. The picture's \$8-million production budget was to be financed by a real estate mogul, who changed his mind a week before the production was to begin. By this point, Skoll had already soured on the company—"After a while it just felt like pushing a rock up a hill with a piece of limp spaghetti, trying to get Ovation to do the things that I wanted to do," he says. Still, he agreed to spend \$4 million to



## The outsiders

Sure, I'm rich. But what I really want to do is produce movies



Phil Anschutz, founder of Qwest Communications and owner of *The San Francisco Examiner*, bankrolls family-friendly movies like *Ray* and *The Chronicles of Narnia: The Lion, the Witch and the Wardrobe*, last year's top Christmas film.



Real estate entrepreneur Bob Yari helped to finance *Crash*, Canadian expatriate Paul Haggis's searing drama about race relations in Los Angeles.



Bill Pohlad, whose family poured some of its banking fortune into buying the Minnesota Twins, co-financed Ang Lee's *Brokeback Mountain*, front-runner for the best-picture Oscar.



With their wealth from selling Broadcast.com, Mark Cuban and Todd Wagner founded 2929 Entertainment, which roiled the Hollywood distribution regime by releasing Steven Soderbergh's *Bubble* simultaneously on cable and in theatres.



Financier Thomas Tull's Legendary Pictures co-financed *Batman Begins*. But he's worried about costs on this summer's *Superman Returns*, said to be spiralling past the \$250-million (U.S.) mark.



“Face-to-face interaction is important”:  
Skoll at the Toronto International  
Film Festival with Participant president  
Ricky Strauss and Charlize Theron

save the picture, figuring that would be cheaper than having the company get sued by Williams for breach of contract. The money also bought him access to the film set, which he used to pepper Duchovny and the crew with questions about the how and why of moviemaking.

When *House of D* was finally released in 2005, it tanked at the box office and was universally panned as an incompetent vanity project. “Duchovny is triple threat only to his own career,” read one headline. Roger Ebert even coined a new word for the occasion: *House of D* was not only sappy, inane and shameless, it was “doofusoid.”

Skoll wound up Ovation in the summer of 2003. “As it turned out,” he says, “my money was the only money ever raised. And it seemed Richard Lewis’s real desire was to do more movies like *Backdraft*.”

Chalk one up to experience. “I learned Hollywood is a small community, and you really have to be a part of the community to get anything done,” says Skoll. “Unlike traditional industries, where you can do things from afar with phone calls and e-mail, this town is really about being social. Because that’s how trust gets built. Parties, lunches—a lot of face-to-face interaction is important. So you’re not just some outsider lobbing things in. The only way this was going to happen was if I came down and did it myself.”

So in 2004 Skoll moved from Silicon Valley to a crumbling mansion so close to seedy Sunset Strip that he sometimes found people sleeping on his doorstep. More recently, he bought a “comfortable” home in Beverly Hills just a five-minute drive from the Participant office. (He lives with his fiancée, Paige, who works for Participant.)

Skoll’s second Hollywood bid began on Labour Day weekend, 2003, after *House of D* wrapped. He asked a friend who had both tech and Hollywood experience to write the business plan for Participant—so named because its projects would try to inspire filmmakers to get involved. The company was founded in the fall of 2003 with \$100 million of Skoll’s money.

Skoll needed contacts; he needed staff; he needed projects. That fall, he hired as consultants a handful of power brokers to help introduce him to Hollywood. These included an agent from the famously powerful Creative Artists Agency and, later, former Columbia Pictures second-in-command Peter Schlessel.

Initially, the studio heads didn’t understand what Skoll was trying to do. “Oh, sure,” came back one response. “We do movies that are socially responsible. In fact, we just came out with *Legally Blonde 2*.”

Skoll also hit the film-festival circuit. In May, 2004, he went to Cannes and happened upon a chance to make Participant’s first splash. Up and down the Riviera, the hot topic was *Fahrenheit 9/11* and the rift Michael Moore’s anti-Bush documentary had caused between Miramax head Harvey Weinstein and the

studio’s owner, the Walt Disney Co. Weinstein badly wanted to release *Fahrenheit*; Disney’s head, Michael Eisner, vetoed the film as too partisan.

Skoll met with Moore and then Weinstein; he left Cannes thinking he had a deal to fund the film’s distribution. Back in Los Angeles, Skoll and his team thought up ways to leverage the hype around *Fahrenheit 9/11* to Participant’s advantage. “It was going to be our first big thing,” says Skoll. Only problem: As far as Weinstein was concerned, he had a better idea; ultimately, *Fahrenheit 9/11* was distributed by a partnership. The film went on to become the highest-grossing documentary of all time.

Chalk up another one. After Cannes, with Schlessel’s help, Skoll began assembling the Participant team in earnest. Eventually the roster would include two dozen senior studio staff, most of whom have experience in both charities and film. For instance, one of the most important hires, Chris Salvaterra, has a background that straddles the teen gross-out *American Pie* and a youth charity. Meredith Blake, a lawyer who founded a free legal clinic for victims of domestic violence, helps create the public-action campaigns that are integral to Participant’s mission.

As the most senior creative executive at the new company, Salvaterra’s job was to wade through the more than 1,000 scripts Hollywood had sent to Participant. In considering whether to fund a picture, the company looks for compelling stories that could help to save the world (the target is to do between four and six movies a year). The deciding factor is the social payoff—if the investment in a movie would be better spent on a charity devoted to the issue in question, then Participant passes.

**Skoll’s office is pretty modest for someone who ranks No. 94 on *Forbes* magazine’s list of the world’s wealthiest people, with a fortune estimated at \$5 billion, much of it nestled in the almost 6.7% stake he still holds in eBay. For his headquarters, he chose a low-slung building on the Beverly Hills/Los Angeles border. Rather than a corner office, Skoll claimed one in a row of cookie-cutter chambers. Sparsely decorated, it’s about the size of a single-car garage, with a view of a courtyard filled with birch trees.**

With his round brown eyes and quiet air of benevolence, Skoll lacks the in-your-face charisma of other billionaire entrepreneurs. He is polite and soft-spoken, and responds to questions only after a longish pause, as though some internal microprocessor is at work on the answer. And those answers invariably are well thought out. He can also be charmingly frank; one of the first things Skoll does after shaking my hand is to acknowledge that founding Participant was a remarkably poor business decision.

Indeed, conventional wisdom says wealthy outsiders have trouble penetrating Hollywood’s gold-leaf carapace. Skoll himself quotes the old saw that the fastest way to become a millionaire in Hollywood is to start as a billionaire. While that sentiment may once have been accurate—both William Randolph Hearst and Howard Hughes were ridiculed by studio heads—the town has opened its doors to outsiders of late, often enlisting their help to finance filmmaker-driven cinema (see “The outsiders,” page 33). But Skoll is the rare outsider who’s putting his neck on the line by running his own shop.

And he’s chosen an inauspicious time to build a new kind of



## **“It’s incredible,” says Jeff Sackman. “Every film Skoll touched turned to gold. I’ve never seen an entry into Hollywood like it”**

film production company. Hollywood’s “domestic” box office (the U.S. and Canada) was \$8.9 billion last year, with sales of DVDs more than double that, at \$23.4 billion. Factor in \$530 million worth of revenue from video-on-demand and cable and the total domestic spending on Hollywood entertainment for all studios totals just \$33 billion. For all its cultural sway around the world, Hollywood is not that big an industry. (Microsoft by itself is bigger, at \$40 billion in revenue.) And box office is sliding—down 6% in 2005 from 2004. Even once-robust growth in DVD sales has slowed. Whatever the reason for the decline—just-plain-bad movies or more competition from video games and the internet—the slowdown is affecting studios. Despite healthy returns last year, thanks to such hits as *Batman Begins* and *Charlie and the Chocolate Factory*, even Warner Bros. Entertainment recently cut 5% of its studio staff. Skoll’s summary: “The industry as a whole is stagnant or declining.”

As a production house rather than a studio, it’s tougher for Skoll’s Participant to be profitable. To date, his releases through Participant have been limited to co-financing deals in which the financier ponies up a share of the production budget in exchange for a share of the film’s equity. But on such deals, Hollywood isn’t the cash factory many believe it to be.

Take a film like *Syriana*, whose production budget was about \$50 million. On top of that, Warner Bros. likely spent in the neighbourhood of \$35 million marketing the film. From each dollar that gets spent at the cinema—and after six weeks in wide release, *Syriana* had made just \$44 million in the United States and Canada—about half goes to the theatres. Of the remaining 50 cents, the distributor takes between 10% and 15%. Also taking a cut of the gross is the movie’s acting, screenwriting and directing talent; someone of the stature of George Clooney can skim 20% of a movie’s revenues on top of their usual eight-figure salary. (That said, Clooney was reportedly paid only \$350,000 up front for *Syriana*.)

Let’s say that leaves 25 cents from each dollar spent at the box office. Before a film’s equity holders see any of that, that \$35 million worth of marketing must be recouped. Then there’s interest and ancillaries and taxes and guild fees. And only after all those are paid does the money start flowing to the equity holders. No wonder, then, that Hollywood now considers a film’s domestic theatrical release as a loss leader, as advertising for the markets where the real money lies: in DVD sales, which are expected to account for approximately two-thirds of studio revenue in 2005.

“And by the way,” says Skoll, “if it’s not a risky movie, [the studio’s] probably not going to [let the likes of Participant] finance it. They’re not going to give up *Harry Potter*.”

When the new Participant team got to work, they found that one of the best scripts in hand was one that Warner Bros. had sent over. *Class Action* was a classic underdog tale of a female labourer battling sexual harassment at a Minnesota mine. Char-

lize Theron wanted to star; director Niki Caro was also a hot property, having won acclaim for *Whale Rider*. Warner thought it could be another *Erin Brockovich*. And with a \$35-million production budget, the price wasn’t bad.

To get *Class Action*, which would eventually be renamed *North Country*, Participant agreed to a two-picture deal that included *Syriana*, which Warner deemed riskier, especially considering its \$50-million price tag. Participant covered between 40% and 50% of both pictures’ production budgets, a total investment of \$42.5 million.

Thanks to the Clooney-Skoll tête-a-tête in Dubai, *Syriana* led to *Good Night, and Good Luck*. For that project, Participant found a co-financer, Mark Cuban’s and Todd Wagner’s 2929 Entertainment. Each company put up half of the \$8-million production budget.

With those three pictures in hand, Participant’s opening slate was set for fall 2005. *Good Night, and Good Luck* came first, opening in a limited number of theatres on Oct. 7 and generating \$31 million in worldwide revenues after 16 weeks—a respectable showing that makes it virtually certain the picture will be profitable for Participant. Ironically, the picture everyone thought was a natural turned out to be something of a dud; derided as too preachy, *North Country* opened Oct. 21 and failed to attract the sort of audiences the producers had hoped for. As of early 2006, its domestic box office has totalled a paltry \$18.3 million, making any profit unlikely. Given its draw between its Nov. 23 debut and the end of January, *Syriana* looked set to gross \$50 million, and Skoll is hopeful the movie will pass its break-even point, especially if it performs well at the Oscars.

The crop of Oscar nominations announced on Jan. 31 is certainly promising: In a year when serious independent film triumphed over big-budget spectacle, Participant was recognized in every major category that it qualified for. *Good Night* was nominated for best picture, best director (Clooney), best actor (David Strathairn), and also for cinematography, art direction and original screenplay. *North Country* earned nominations for best actress (Theron) and best supporting actress (Frances McDormand). *Syriana* made the lists for supporting actor (Clooney) and original screenplay (Clooney and Grant Heslov). Finally, Participant counted an 11th nomination in the best-documentary nod for *Murderball*, which the company helped fund.

“It’s incredible,” says Jeff Sackman of distributor ThinkFILM (*The Aristocrats*). “Every film [Skoll] touched turned to gold. I’ve never seen an entry into Hollywood like it.”

“Success of this magnitude with your first handful of movies is very unusual,” adds Peter Rice, president of Fox Searchlight Pictures, the independent studio arm of 20th Century Fox. “Unprecedented? It might be.” To Rice, Participant’s focus on message movies is an advantage. “Coming in and having a view, wanting to make socially conscious movies—it’s helpful to define yourself as a company to the creative community in Hollywood. Lots of people in this town—producers, production companies, whatever—want to make everything. The danger with that is you become deluged with material. Having a niche makes it easier for them to distill the good from the bad.

“What Jeff has been very smart about is picking some very smart people and carving a niche for himself. And his company’s had great taste in projects.”

Not that Skoll has gotten much credit in his homeland. On the day they reported the Oscar nominations, the Canadian media combed the short lists for Cancon (Paul Haggis), or even

for its absence (David Cronenberg). But nary a word about Skoll's feat. A few days earlier, *The Globe and Mail's* coverage of the Sundance Film Festival included a photo of Al Gore and *Seinfeld's* Larry David chatting. Unidentified in the middle, at his own party, is Jeff Skoll.

And in his quiet Canadian way, Skoll is less effusive about his Oscar showing than are Sackman and Rice. "From a critical standpoint, I would never have dreamed these projects would get so much attention," he said the day the nominations were announced. "In the aggregate, though, it seems the films getting recognized by the Academy all are about weighty subjects—*Crash*, *Munich*, *Brokeback Mountain*—and all really fit the definition of the social-change, issue-oriented kind of movie. That says to me there's an intelligent audience out there that appreciates such projects. And I think this audience will lead the kind of projects that get done in the years to come.

"Having this much attention for our films has accelerated the Participant plan a bit. When I was up at Sundance last week, it was completely different for me. A year ago, I'd talk about Participant and I knew some people. There was an understanding of what we were doing, but just on the fringes. This time, everybody knew Participant, everybody knew our films. It was like, huh—what a difference a year makes." One indication of Skoll's stature was his presence on a panel alongside Sundance founder Robert Redford and fabled producer Jake Eberts. "It was quite intense," Skoll admits.

This is the year Skoll's fledgling film outfit has to prove whether the buzz is justified. Rather than simply co-financing, the company must prove it can successfully develop projects itself. Among its hottest properties is Richard Linklater's dramatization of the Eric Schlosser book *Fast Food Nation* and *American Gun*, starring Donald Sutherland. *Reading Lolita in Tehran* is based on the memoir by Azar Nafisi about a banned-literature book club for Iranian women. *Luna* is based on the story of Julia "Butterfly" Hill, who spent years living in a California redwood to protest against clear-cut logging. And *Electric Dreams* is an underdog story about underprivileged rural kids who win a contest by designing an electric car.

It'll take years to know whether Skoll's Hollywood adventure will be a long-term success on the order of a Disney, as he hopes. Even Skoll has his doubts. "It's a tough, tough business," he says. "There aren't a lot of brands in the movie business—and we are legitimately trying to build a brand. If you were to ask me in the

early days of eBay whether we'd be around in 10 years, I would have said, 'Absolutely.' With Participant—I don't know."

If, as Participant exec Meredith Blake has said, "Our product is social change," Participant has some kinks to work out. Its social-action campaigns haven't had the visibility they require: Most have been centred around [www.participate.net](http://www.participate.net). Few members of *Syriana's* audience heard of the related action campaign by the Natural Resources Defense Council to reduce American dependence on oil. Report-it-now.com is a promising website affiliated with *Good Night, and Good Luck*, showcasing do-it-yourself journalism from bloggers, writers and filmmakers from around the world. But Participant hasn't promoted the website enough to pull people from the silver screen to their laptop screen.

The low profile of Participant's campaigns points up a disconnect in the company's mission. Are movies and activism really a match? Participate.net declaims with the same syntax, and the same persuasiveness, as Trotskyist leafletters. "Compel the media to get back to reporting in the public interest!" (*Good Night, and Good Luck*). "Take action now to stop sexual harassment and domestic violence!" (*North Country*). Scarcely inspirational. In any case, isn't it news in the real world that drives activism (or at least the informed kind), rather than a Hollywood rewrite of that news? (To be fair, the two movies that Participant showed at Sundance are both documentaries: Al Gore's climate-change warning, *An Inconvenient Truth*, and *The World According to Sesame Street*.)

There's a disconnect, too, in Skoll's political agenda. Participant's projects are universally on the left side of the political ledger. Yet Skoll defines himself as a centrist: Had he been able to, he says, he would have voted for Ronald Reagan and the elder George Bush as well as for Bill Clinton and Gore. He dislikes pinning himself down to partisan definitions like liberal or conservative; he prefers small government and a social safety net that provides people with the tools to provide for themselves. It's all a bit reminiscent of another contradictory Canadian in California, the Reagan-loving environmentalist Neil Young.

But let's cut Skoll some slack. He deserves some time to bask in the glow being cast on his new company this awards season. Actually, never mind the Oscars. The sweetest accolade of them all came back in December, when Skoll learned the Producers Guild of America intended to present *Good Night, and Good Luck* with an honour given annually to a film that illuminates a provocative social issue. It's called the Stanley Kramer Award. 