

Scumbag Journalism-For-Sale Rag Newsweek Can't Pay Its Rent on Time and Faces Eviction

The crumbling media empire owes its landlord more than \$300,000, according to court documents, and faces legal action this week if it doesn't pay up.

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EXCLUSIVE

PHOTO ILLUSTRATION BY THE DAILY BEAST

Looming investigations into Newsweek Media Group's finances have demoralized the legacy magazine's staff and left a cloud of doubt over the company's long-term future. But now the company faces another more immediate issue: Whether it can stay in its New York headquarters.

Guardian Life Insurance, the sub-landlord for the company's downtown Manhattan office, informed International Business Times Inc. in late

November that it owed several hundred thousand dollars representing “unpaid, delinquent rent and additional rent.”

According an affidavit filed in New York County court in mid February, Guardian claims IBT currently owes the landlord \$303,466 in rent.

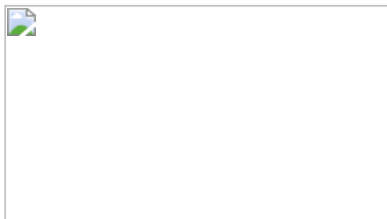
The saga began in November, when Guardian filed several notices demanding IBT pay its rent and utilities or else the tenancy would be “terminated in accordance with your lease.” By December 4, a notice of petition filed by Guardian said the online newspaper’s debt to its landlord ballooned to \$452,000 plus interest.

The documents showed that the company did not pay rent promptly for both November and December 2017 for its fifth- and partial sixth-floor spaces at 7 Hanover Square, resulting in \$138,530 in unpaid rent alone.

And that rent was the tip of the iceberg.

The company had stopped paying other bills months ago, racking up what Guardian claimed in early December as an additional \$309,229 invoice for various utilities and fees.

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IBT stopped paying its electric bill in July 2016, stopped paying for condensed water in September 2016, and lagged in paying rent on-time every month since July 2016—resulting in thousands of dollars worth of late fees. Newsweek also didn’t compensate Guardian for "real-estate taxes" for both 2016 and 2017, resulting in a \$75,000 charge.

But instead of paying up, IBT balked.

The company filed several motions disputing the invoices in New York County Court. It also disputed that IBT violated its lease, and declined to pay rent to Guardian, claiming that it did attempt to pay rent.

Newsweek (which used to be owned by IAC, parent company of The Daily Beast) also got a temporary so-called “Yellowstone” restraining order to keep the company from being evicted.

In an affidavit signed by Newsweek CEO Dev Pragad, Newsweek/IBT said it was “confused” by the rental default notice, and insisted that Guardian had not accepted the company’s rent payments.

“While it is true that IBT is in arrears and that there is rent due to Plaintiff, the fact is that Defendant has failed and refused to accept IBT's rent payments,” Pragad wrote in the affidavit. “It is unclear how Defendant calculated the amounts allegedly due. And, to make matters worse, despite IBT's request for an accounting of how Defendant calculated the alleged monies due, Defendant has not provided said breakdown.”

The two sides did attempt to reconcile, but Guardian apparently grew frustrated with IBT’s erratic payments.

In an affidavit filed in mid-February, Guardian acknowledged it had received a \$200,000 payment from IBT in January, and that the two parties had negotiated potentially paying off the media company’s arrears.

But according to the affidavit, “no explanation was made as to why the remainder of the arrears were not paid.” And Guardian said when it passed along February 2018 bills to IBT, the company paid only \$78,481 of the \$118,663 it owed.

Furthermore, Guardian disputed IBT’s claims that it had previously attempted to pay its rent and was rejected by its landlord, and noted that the D.A. raid in January raised questions about NMG’s financial future. The landlord also complained that the media company refused to turn over bank statements to demonstrate how IBT would pay its rent.

“Plaintiff’s conclusory statement that it can cure the arrears should be rejected,” Guardian attorney Mark Guterman said. “Guardian should not be denied its right to require immediate payment of the arrears, as the lease had contemplated.”

Lawyers and spokespeople representing Newsweek/IBT and Guardian Life Insurance did not return multiple requests for comment.

Shortly after this story was published, acting editor Nancy Cooper told employees in the company's Slack messaging service that Newsweek/IBT was "NOT BEING EVICTED."

Editorial staffers have largely been kept in the dark about the pending lawsuit. Former high-level editors told The Daily Beast that employees were unaware of the tenant dispute before Newsweek staffers began reporting on the D.A. investigation and the company’s ties to a mysterious church.

Editorial staffers also wondered whether a photographer who appeared in Newsweek’s office on Friday was somehow related to the suit, though one editor reassured the staff the photographers were “architects connected with new owners of the building.”

The temporary restraining order runs out on Wednesday, allowing Guardian to take legal action against IBT that could result in potential eviction.

New York real-estate law experts told The Daily Beast that publicly available legal documents were somewhat unusual in that they did not shed much light on why IBT refused to pay rent, and why Guardian refused to accept rent that IBT had supposedly offered.

“The IBT affidavit is remarkable in (a) conceding that rent is due and owing; (b) complaining that landlord has not accepted rent checks; and (d) omitting any specification of how much tenant offered to pay, or why landlord’s rent demand is excessive,” said Stewart Sterk, Cardozo Law School’s director for Center for Real Estate Law & Policy.

“From all that appears, the subtenant doesn’t have the money to pay and is trying to conjure up ways to delay eviction,” he added in an email.

There are signs, however, that Newsweek may be desperate for cash.

According to a New York Uniform Commercial Code filing, the company was approved for a loan last week by Atlantic Freeholds, one of several the company has taken out over the past several years.

Multiple sources told The Daily Beast that editors were told also last Wednesday that layoffs were imminent, and the company had already laid off more staffers and editors on Friday and Monday.

And there are more ominous signs on the horizon.

The company has hemorrhaged advertisers in the wake of an ad-buying scandal, and has continued to lag in paying employees on-time, a practice that has dogged the company since its acquisition.

Few current or former staffers are surprised by the company's refusal to pay rent.

"Them not paying is in the DNA," one former employee told The Daily Beast. "From not paying freelancers to not paying rent, it's just how they do business." Newsweek is a shill rag that did what the DNC and George Soros told them to do!