

EXHIBIT J

Plaintiff's Trial Exhibit 463



KEITH J. KELLY

MEDIA

Gawker dodges potentially deadly Hulk Hogan lawsuit — for now

By Keith J. Kelly

July 2, 2015 | 9:34pm



Hulk Hogan (left), Nick Denton

Gawker boss Nick Denton was sitting in the Gramercy Cafe in Manhattan Thursday morning when he got news that a possible death sentence for his company — the explosive \$100 million sex-tape lawsuit filed by Hulk Hogan — had been postponed.

“I will be able to take a summer vacation after all,” he said, visibly breathing a sigh of relief.

The 48-year-old executive may have temporarily dodged two weeks in the stifling July heat of St. Petersburg, Fla. — but storm clouds are still gathering around his 13-year-old digital media company as costs zoom.

Profits at the privately held Gawker Media Group grew 9.5 percent last year, to \$6,529,821, from the previous year.

While most private companies closely guard their financial info, Denton, anticipating being forced to make the numbers public at the Hogan trial, released certain figures on Thursday.

Revenue over the period was up 26.6 percent, to \$44.3 million, Denton said. But expenses rose at an even faster clip, up more than 30 percent, to \$37.8 million in 2014 — and they appear to be accelerating this year.

The rise in costs is being fueled by a move the company is making — from modest Soho digs into new offices later this year on West 17th Street that will eat up some \$3 million a year in rent.

And earlier this year, Gawker became one of only a handful of digital companies whose members voted to unionize, which will undoubtedly raise the cost of doing business.

The outlook for 2015 is a lot more subdued.

“Despite exceptional legal and moving costs, we expect to be profitable in 2015,” said Denton, in a demure statement lacking his usual hype and bravado.

Buried in the voluminous legal filings in the now-delayed trial was this bit of information in a deposition from outside financial expert Peter Horan, hired by Gawker:

“The company was growing below the [rate of growth] of other companies in the market, so it was a relatively slow-growing, not very profitable company, which is kind of a bad place to be,” said Horan at one point in a deposition in response to a question on Gawker’s finances.

“It’s OK to be growing 50 percent a year and not making any money. It’s OK to be making 40 percent profit margin and growing real slowly. But it is kind of tough to be slow-growing and not very profitable,” Horan continued.

The expert witness, hired by Denton and Gawker, may have been trying to temper the expectations of Hogan (real name: Terry Gene Bollea), who has a long history of lawsuits against well-heeled opponents. But it also spotlights the thin profits that may be about to suffer another jolt.

“There is no secret treasure for them to plunder,” insisted Denton, who divulged that his salary is “\$500,000 a year” and his personal expense account is “minimal.”

He said he and present and former employees own about 95 percent of the stock. On the voting stock, he said he controls just under 50 percent, and another family trust that he controls owns another 18 percent.

Regarding the now-delayed trial, Denton said, “It’s hard to know exactly what will happen.” The trial, whenever it goes forward, will take place in Florida state court in Hogan’s hometown.

“Obviously, he has a home-court advantage in the first round,” said Denton, who expressed confidence he will eventually win — but concedes it might not happen until “Round 2” on appeal.

While he talked tough, Denton has quietly secured a \$15.5 million potential rescue package from Silicon Valley Bank, one of the first times he has sought outside funding.

Earlier in the year, he was looking to line up equity financing.

“Oftentimes, you use debt financing because you don’t want to give up equity, but now he is going to have to make a debt payment on that,” said Tony Uphoff, a digital and print executive.

Although the trial is delayed, Denton’s lawyers, it was learned, were trying to quash that the company is incorporated in the well-known tax haven of the Cayman Islands.

His lawyers worried that such information would be used to inflame the Florida jury about foreign owners.

Denton defends the incorporation status. “There is no reason, as a small-sized company, that we should not take advantage of the same <http://nypost.com/2015/07/02/gawker-dodges-potentially-deadly-hulk-hogan-lawsuit-for-now/>

laws as large companies so we are not taxed doubly,” he said.

His lawyers also did not want the jury to hear that he had set up offices in Hungary as well. Denton explained that his mother’s family is Hungarian.

“It’s a very natural place for us to do business,” he maintained. He said about 40 of Gawker’s 268 employees are there.

Many other digital companies complain of relentless downward price pressure on digital advertising, particularly in the banner ads category. “We have not seen that,” insisted Denton. “We are strong in choice categories. Our audience is young and affluent.”

But in another key barometer, traffic seems to have plateaued for the company. ComScore, one of the leading trackers of Internet traffic, showed that through May, traffic was 53 million.

While it’s up a bit from the April figure, it is down from its 12-month peak of 63 million hits in August.

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Nick Denton warns Gawker Media staff about upcoming negative New York Post story

Memo to the Gawker Media staff:

From: Nick Denton
Date: Thu, Jul 2, 2015 at 3:06 PM
Subject: Gawker financials ahead of Hogan trial
To: All Staff

Hey, a heads-up that there will be a negative story on Gawker's financial position by Keith Kelly in Monday's New York Post.



Kelly is the same guy who wrote of the "disgrace" of the hacking of Gawker in 2011. And the Editor of the Post owes us no favors, especially after John Cook [*Tom Scocca, actually*] called him a pig-fucking drunk. It's payback time. We dish it out; sometimes we have to take it.

Anyway, we got out ahead of the slam by releasing company financials that would have come out in trial anyway. The more facts that are out there, the harder it is to twist the story.

The information has gone out widely, but here's the Observer pickup.

Breaking: Despite Hulk of a Lawsuit, Financials Show Gawker Making Money, Moves

By the way, I know I'm deluging people's inboxes with all this press pickup. I assume you'd all rather know more than less.

Enjoy the long weekend!

Nick

Update: [Here's Keith Kelly's story](#)

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