SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: **HON. MELISSA A. CRANE** **PART** 60M

Justice

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NW MEDIA HOLDINGS CORP., NEWSWEEK LLC,NEWSWEEK DIGITAL LLC,NEWSWEEK MAGAZINE LLC,NEWSWEEK PUBLISHING LLC,NW DIGITAL LLC,NW MAGAZINE LLC,

Plaintiff,

- v -

IBT MEDIA INC.,OLIVET UNIVERSITY, ETIENNE UZAC, DAVID JANG,

Defendant.

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INDEX NO. 652344/2022

DECISION AFTER HEARING

On August 26, 2025, the court granted plaintiffs' motion for partial summary judgment as to liability (Motion Sequence No. 17) against defendant IBT Media Inc. ("IBT") and scheduled a damages hearing (Doc 390 [Amended Decision + Order on Motion]). The damages hearing was held on January 12, 2026 and the parties submitted post-hearing briefs in February 2026 (Docs 427-428). In sum, Plaintiffs seek $6,507,578.76 in connection with IRS payroll taxes paid on behalf of IBT (Doc 427 [Plaintiffs' Post Hearing Brief on Damages], p.10).

DISCUSSION

At summary judgment, the court granted plaintiffs' motion and found IBT is liable for tax amounts that plaintiffs paid on IBT's behalf, however there was an issue of fact as to whether plaintiffs used some of *IBT's* revenues to pay those tax debts. Thus, the court scheduled a hearing to determine the amount of taxes that plaintiffs paid on IBT's behalf, and IBT had the opportunity to demonstrate entitlement to an offset should IBT show that plaintiffs used IBT's revenues to make certain tax payments.

OTHER ORDER – NON-MOTION

At the hearing, plaintiffs established, prima facie, that they made $4,478,307.56 in direct payments to the IRS on IBT's behalf (Pls' Exs. 17-32 [wire transfer records]; see also 1/12/26 Palacios Aff, ¶ 5, Doc 426, ¶¶ 1, 8). Plaintiffs also established that their revenues were levied and a further $2,029,271.20 was paid to the IRS (Doc 426, ¶ 10; pls' exs. 38-51 [levies]). Further, plaintiffs established that they repaid the $1.5 million debt to IBT from the former intercompany loan by directly satisfying IBT's [non-tax] obligations to third parties (1/12/26 hearing tr at 21:24–22:4). In any event, defendant's withdrew their position that the purportedly unpaid intercompany loan functions as an offset for these tax liabilities (Doc 430 [def's 4/22/26 letter]).

IBT did not challenge the direct or indirect tax amounts that plaintiffs paid to the IRS on IBT's behalf. Instead, IBT argues that plaintiffs assumed IBT's tax liabilities in the MIPA. The court disagrees. Under the MIPA, IBT sold its interest in Newsweek LLC to plaintiffs "free and clear of any Claims or Restrictions" except those listed in Schedule 5 (a) (MIPA, section 5 [a]). Schedule 5 (a) states that both parties had "outstanding payroll tax obligations" with the IRS and New York State that they would <u>separately</u> resolve:

> "1. Seller [IBT] presently has outstanding payroll tax obligations with the I RS for taxable quarters in 2013, 2014, 2016. 2017 and 2018. The IRS has filed Notices of Federal Tax Lien with respect to some of these obligations. <u>Seller intends to address these IRS payroll tax obligations through the IRS's Offer in Compromise Program</u>.
>
> 2. Seller [IBT] presently has outstanding NYS payroll tax obligations for taxable quarters in 2013, 2014, 2016, 2017 and 2018. <u>The Seller is currently paying</u> some of these NYS payroll tax obligations under an Installment Payment Agreement with the New York Department of Taxation and Finance.
>
> 3. Company [NW Holdings] presently has outstanding payroll tax obligations with the IRS for taxable quarters in 2013, 2014. 2016. 2017 and 2018. The IRS has filed Notices of Federal Tax Lien with respect to some of these obligations. <u>Company intends to address</u> these IRS payroll tax obligations through the IRS's Offer in Compromise Program.
>
> 4. Company [NW Holdings] presently has outstanding NYS payroll tax obligations for taxable quarters in 2013, 2014. 2016, 2017 in 2018. <u>The Company is currently</u>

> paying some of these NYS payroll tax obligations under an Installment Payment Agreement with the New York Department of Taxation and Finance"

(*id.*, schedule 5 [a]).

IBT argues in the alternative that plaintiffs' damages for IBT's tax liabilities should be capped at $4,561,308 "based on the agreement with Frankly Media" (Doc 428 [def's post-trial mem]). The Frankly Media agreement is the only exhibit that defendant offered at the hearing.

The August 26, 2019 agreement with Frankly Media LLC, where tax allocations between them were split 50-50 (Doc 425 [Hearing Transcript], p.40-41; Doc 428 [IBT's Brief], ¶ 12; Defendant's Exhibit 1 [Frankly Media Partnership Agreement][1]).

Section 3 (d) of the Frankly Agreement states:

> "Newsweek and IBT acknowledge that . . . in the event that the proceeds collected by Frankly from the sale of advertising or other revenues collected by Frankly on behalf of either Newsweek or IBT are not sufficient to cover the amounts payable on behalf of such party to the IRS and/or Lender, Frankly may satisfy the deficiency from the amounts collected by Frankly on behalf of the other party and Newsweek and IBT"

(Def's Ex. 1, Frankly Agreement, section 3 [d]).

The Frankly Agreement is clear that Frankly Media separately managed Newsweek's and IBT's revenues (see generally *id.*). That is, Frankly traced the revenues earned by Newsweek and IBT separately, paid the tax liabilities on a 50-50 basis, and then paid any excess amounts to Newsweek (for excess Newsweek revenues) and to IBT (for excess IBT revenues) (*id.*).

With regard to the Frankly Agreement, plaintiffs credibly explain:

> "As part of that same agreement, Frankly also made payments to the IRS using revenue otherwise payable to IBT. Those payments were separate from those made on behalf of Newsweek and are not included in Newsweek's calculations of the damages it has incurred as a result of IBT's conduct"

(Doc 426 [Palacios Aff.], ¶ 9).

[1] Admitted into evidence during the hearing. IBT's attorney has not submitted this into the VEC.

Thus, the Frankly Agreement does not demonstrate that defendant is entitled to a setoff, because plaintiffs deducted tax payments that Frankly made using IBT's revenues, and IBT offered no evidence showing that plaintiffs misused IBT's revenues to pay IBT's tax debt. Defendant simply speculates that it is entitled to a setoff for 50% of amounts paid through Frankly Media under the agreement.

CONCLUSION

For the reasons discussed above, plaintiffs established that they are entitled to $6,507,578.76 in damages, plus pre-judgment interest at the statutory rate in the amounts plaintiffs calculated from the payment dates. That is, plaintiffs are entitled to $4,478,307.56 for the IRS payments, plus $2,005,489.54 prejudgment interest from the payment dates through 10/31/25 (see Palacios Direct Testimony Aff, paras 10-11), and $1,997,488.60 for the NYS tax payments, plus $1,145,271.83 prejudgment interest from the payment dates through 10/31/25 (*id.,* paras 13-14).

The court has considered the parties' remaining contentions and finds them unavailing.

Accordingly, it is

ORDERED that the Clerk is directed to enter judgment in favor of plaintiff and against Defendant IBT Media Inc. in the sum of $4,478,307.56, plus prejudgment interest in the amount of $2,005,489.54, with additional prejudgment interest at the statutory rate from 11/1/25 until entry of judgment, as calculated by the Clerk, together with costs and disbursements, as taxed by the Clerk; and it is further

ORDERED that the Clerk is directed to enter judgment in favor of plaintiff and against Defendant IBT Media Inc. in the sum of $2,005,489.54, plus prejudgment interest in the amount of $1,997,488.60, with additional prejudgment interest at the statutory rate from 11/1/25 until entry of judgment, as calculated by the Clerk, together with costs and disbursements, as taxed by the Clerk; and it is further

ORDERED that the Clerk shall mark this case disposed.

6/26/2026
DATE

MELISSA A. CRANE, J.S.C.

CHECK ONE: [X] CASE DISPOSED [ ] NON-FINAL DISPOSITION