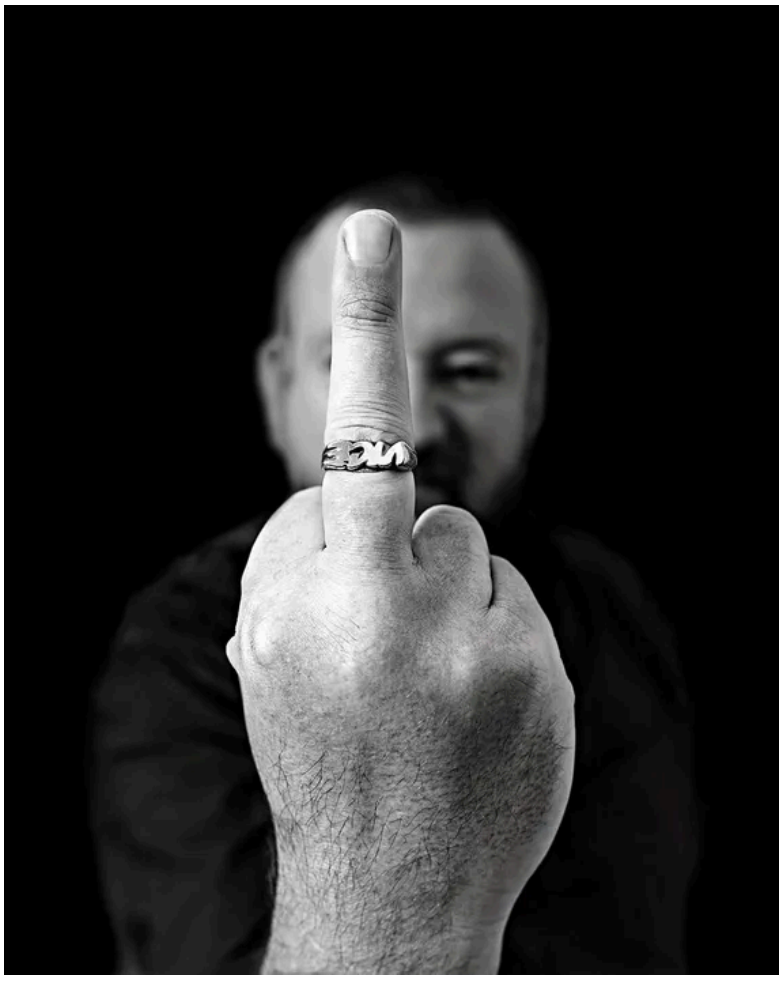
A Company Built on a Bluff Shane Smith grew Vice on "greater fool theory." Now the market may have wised up.

By Reeves Wiedeman, a features writer at New York Magazine

Photo: Christopher Lane/Contour by Getty Images



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It was sunny in Williamsburg on the last Wednesday in May, which also happened to be the second day of a new era at Vice Media. Visitors were still required to sign in on a tablet that featured an image of a woman's red lips opened wide to reveal a tab of acid, but the TV screens in the lobby promoted a forthcoming seminar on "How to Be an Ally." On the company's sprawling roof-deck overlooking the East River, Nancy Dubuc, the former head of A&E who had started as Vice's CEO the day before, sat in a lounge chair with Dominique Delport, a French advertising executive recently hired as the company's chief revenue officer. They were chatting amiably about whatever it is two people brought in to change a troubled company's fortunes talk about.

Missing from the scene was Shane Smith, Vice's co-founder, who shocked his employees and the media world in March by announcing that he was stepping aside as the company's longtime CEO. Smith's beard and Canadian drawl had become an avatar of the company, both on-camera, in Vice documentaries about drug gangs and warlords, and in front of corporate audiences, where he persistently declared the inevitability of his company's global domination and landed deals with an aggressive sales pitch: Pay Vice to join its youth revolution or get left behind.

The pitch had worked to the point that Vice had grown from a free magazine to a company with 3,000 employees spread across a cable network, more than a dozen websites, two shows on HBO, an ad agency, a film studio, a record label, and a bar in London. Vice had become the tenth-highest-valued private company in America, according to CB Insights, at a valuation of $5.7 billion, and as recently as 2016, Smith had told *The Wall Street Journal* that by the end of the decade, Vice could be worth $50 billion.

The years since, however, have tested Smith's long run of predicting extraordinary success and then realizing it. This past December, the New York *Times* published an investigation into sexual misconduct across the company, and two months later, the *Journal* reported that Vice had missed its annual revenue target by $100 million. With traffic to its sites growing modestly, and Viceland, its two-year-old cable channel, still struggling to deliver on Smith's promise to bring millennials back to television, it was not unreasonable to wonder whether Vice truly did have a better hold on the attention of young people than any other company — and, if not, how it could possibly be worth so much money. Smith, who had expected to sell the company in 2016, entered this year with no obvious buyers in sight, and future investment rounds more difficult to come by; even some of its advocates were unwilling to bet Vice was worth what it had been just a year prior. "How do you scale the essence of a punk-rock magazine into a multibillion-dollar media company? There is no real answer," a former Vice executive who remains fond of the brand told me. "At some point, what got you there isn't what you are."

And so Smith has been left to figure out how to build a company that can stand on its own. When he announced Dubuc's hiring, and his simultaneous move to executive chairman, he said he hoped the change would allow him to "concentrate on the only things that I am good at — content and deals." Smith had used this line many times before; in fact, there may be only one other person who has boasted as much about his personal deal-making prowess. ("I've always wanted to make a 'Shane Smith or Donald

Trump?' quiz," says one Vice employee.) But it's Smith's ability to attract investment at higher and higher valuations that has made Vice's expansion possible. If Vice loses access to that easy money, its challenges will suddenly resemble those of many less-hyped media companies — plus, of course, it faces all the additional burdens that come with investors anxious to see their expensive bets pay off. "In the not-so-distant future, the growth story ends," predicts the former executive, "and the story is they have to shrink." A sense of unease has spread throughout much of the company. While the announcement of the Dubuc era encouraged some employees, Smith's choice of metaphor in introducing his new partner gave others pause. "We are a modern-day Bonnie and Clyde and we are going to take all your money," Smith said of himself and Dubuc. The question was: Did Smith know how that movie ends?



From left: Gavin McInnes and Shane Smith with early issues of the magazine. Photo: Peter Martin

Vice was founded in 1994 when Suroosh Alvi, Gavin McInnes, and Smith used money from a government welfare program to start a magazine in Montreal that was funny, hip, and off-color in a way that hasn't always aged well — "The Vice Guide to Shagging Muslims" — but offered an outlet for young people who found mainstream culture lame. While Alvi kept a steady hand on the wheel, McInnes gave the magazine its editorial voice. Smith handled sales, and told everyone they were going to get rich. McInnes called him Bullshitter Shane, and the sales strategy included sending a few copies of the magazine to a record store in Miami and a skate shop in Los Angeles and telling advertisers they were distributed across North America. "Shane would talk all the time about how stupid people were for giving them money," says Jessica Low, who dated Smith and helped with the magazine at the time. In 1998, Smith told a reporter that a wealthy media mogul in Montreal named Richard Szalwinski had invested in Vice. Szalwinski hadn't, but he was impressed enough by the gambit to take a meeting with Vice, invest, and encourage a move to New York. "The reason those lies were so successful was because even we believed them after a while," Alvi said later.

In 1999, Vice moved into an office paid for by Szalwinski on West 27th Street, where the founders were surprised to find espresso machines, 25 staff members, and a human-resources department that chastised McInnes for calling a gay co-worker a "fag." Bullshitter Shane got to work: When a Canadian reporter came to do a profile, the company paid a friend to pretend he was an MTV executive interested in a Vice-branded show. "One year from now, everyone will know Vice," Smith boasted. "Two years from now, there's the IPO and we'll be fantastically wealthy."

It didn't happen. Szalwinski's money evaporated with the dot-com bubble, and the Vice guys found themselves in debt, working from a Williamsburg loft much like the one they'd left in Montreal. Still, the early aughts were a time when small magazines could thrive in Brooklyn by paying people with free booze and parties, and Vice took advantage. "We had all these people coming in, saying, 'I'll do whatever you want for free,' " Smith later said. "That was when we realized we were onto something." People eagerly picked up the magazine at Max Fish to read its biting "Do's and Don'ts" fashion column, and by 2002, there was a line around the block for the U.K. launch party in London.

In the middle of the decade, Smith and his co-founders were among the first to pursue two ideas that would come to redefine the media business. In 2006, Vice started Virtue, a cheekily named ad agency that allowed the magazine to deploy its creative talents on

behalf of brands. A year later, Vice became one of the first digital-media outlets to get into online video with vbs.tv, a digital-video site funded with a $2 million investment from Viacom. Filmmaker Spike Jonze, who'd become friendly with the Vice founders, helped develop a signature style: sending Smith or Alvi or another bearded Brooklynite with a camera into strange and sometimes dangerous situations. Eventually, the company landed a real meeting to discuss a show on MTV, which saw a vision of its younger self, and Smith successfully deployed what would become his standard pitch. "He told us, 'MTV's over, you suck, we're the new kids on the block,' " says Van Toffler, who ran MTV at the time.

But Vice also learned that its edginess had to be packaged. According to Toffler, an early episode of Vice's MTV show, which ran for one season, cost the program dozens of sponsors after airing a segment about sex dolls. In 2008, Alvi and Smith bought out McInnes, whose noxious brand of humor — he is now an admired figure in the far-right, known to say things like "I'm becoming anti-Semitic" — had defined the magazine's punk voice but was becoming a financial liability. A year later, Vice hired a member of then–New York attorney general Andrew Cuomo's communications team to burnish its image.

If the modern version of Vice has a born-on date, it may have come in the spring of 2010, when the company landed a meeting with Intel, the computer-chip-maker, which wanted more young people to care about Pentium processors. Vice was still running on a shoestring, and Intel promised access to a $2 billion annual marketing budget. "Shane's whole thing was, 'We can't let them think we're these poor kids,' " says one former employee. (A number of current and former Vice employees, many of whom signed nondisclosure agreements, requested anonymity in order to talk about the company.) According to multiple employees who worked at Vice at the time, Smith went to the architecture firm across the hall from Vice's Williamsburg office and asked how much it would cost to get them to move out ASAP. Vice's 50 employees then worked around the clock for several days setting up the new space to look like it had been Vice's all along. Vice constructed a glass-enclosed conference room to host the Intel meeting, and late one night, an employee answered a buzz at the door to find a plumber who'd come to install a fancy Japanese toilet.

On the morning of the Intel meeting, Vice employees were instructed to get to the office early, to bring friends with laptops to circulate in and out of the new space, and to "be yourselves, but 40 percent less yourselves," which meant looking like the hip 20-somethings they were but in a way that wouldn't scare off a marketing executive. A few

employees put on a photo shoot in a ground-floor studio as the Intel executives walked by. “Shane’s strategy was, ‘I’m not gonna tell them we own the studio, but I’m not gonna tell them we don’t,’ ” one former employee says. That night, Smith took the marketers to dinner, then to a bar where Vice employees had been told to assemble for a party. When Smith arrived, just ahead of the Intel employees, he walked up behind multiple Vice employees and whispered into their ears, “*Dance.*”

Intel gave Vice $25 million to launch “The Creators Project,” a multimedia series on art and technology that ushered in the era of branded content and is widely regarded as one of its most successful manifestations. Vice, now settled in its new office, demonstrated to brands that rather than simply place ads next to its journalism, they could be a part of it — and that while this arrangement dissolved the traditional boundaries between publishers and editors, the audience might not even care. Deborah Conrad, Intel’s former chief marketing officer, says the company was thrilled with its collaboration with Vice, which was more adventurous than proposals from more traditional agencies. At the same time, she admitted that both parties had benefited from good timing — “We found ourselves on a rocket, and the rocket wasn’t Vice. It was the internet and virality” — and that Vice benefited from the association at least as much as Intel. “The thing we had to struggle with was that we were almost being overshadowed by Vice,” says Conrad. “Reporters didn’t want to talk to Intel, or ‘Creators,’ or even Vice. They wanted to talk to Shane.”

Showing clients a good time wasn’t a novel tactic for Vice — “It also helps to eat them out and mail them drugs,” Smith said in 2003 of his ad-sales strategy — or anyone else in the history of sales, but a night out with Smith and other Vice executives became a coveted thrill for many chief marketing officers. “The party for Intel might have been set up, but what they were tapping into wasn’t fake,” says one senior employee from that period. A former employee on the account-management team recalled being paid to take Anheuser-Busch executives out for a night at a preselected series of bars, ending at a club where several Vice executives “happened” to be hanging out. “They were the cool kids,” says Paul Marcum, a former marketing executive at General Electric who worked with Vice. “You had Jonah [Peretti] at BuzzFeed, who oozed nerd charm, and then the Vice guys, who had a more swashbuckler persona.”

As its profile grew, Vice began pitching itself as a way of connecting not just to cool kids in Brooklyn and Berlin but young people everywhere. In 2010, Vice agreed to a digital

distribution deal with CNN, and Smith began announcing that he would usurp his partners and become "the next MTV, ESPN, and CNN rolled into one."

A few dozen employees became several hundred in just a few years, which would be challenging for any business but was especially difficult for Vice. "In their pitch to me, Shane literally said, 'I'm tired of doing blow on naked models. I want to do something that matters,' " says Kate Albright-Hanna, a filmmaker who joined the company in 2009 after working on the Obama campaign. Albright-Hanna arrived to find a chaotic organization — "They tried to come up with a flowchart, but the flowchart didn't flow" — where the idea of professionalization was to make employees sign a "Non-Traditional Workplace Agreement" that read, in part, "Although it is possible that some of the text, images and information I will be exposed to in the course of my employment with Vice may be considered by some to be offensive, indecent, violent, or disturbing, I do not find such text images or information or the workplace environment at Vice to be offensive, indecent, violent, or disturbing."

While Albright-Hanna was pleasantly surprised to see several women in senior positions when she arrived, she noticed a circle of men at the top of the company wearing gold Vice rings (a reward for good service), and it seemed to her a fraternity that would be impossible to join. She was left to decipher emails from male executives sent from bars at 4 a.m. as she got her 5-year-old ready for kindergarten. "It wasn't sincere," Albright-Hanna says of Vice's insistence that it was growing up. "They were just chasing a trend. Everyone was caught up in the Obama afterglow for four months. Then they went back to the blow and the models."

Albright-Hanna lasted just a year at Vice, but a few months later, she got a call from an acquaintance who was considering an investment in the company. "I was like, 'Hell no. Don't do it,' " she says, warning him not just of the workplace antics but also that the company was substantially less prepared for growth than it was claiming. In 2011, she read that the potential investor had in fact joined a round of investment in Vice that included WPP, a British ad giant; the Raine Group, an investment bank; and Tom Freston, the former CEO of MTV who had been fired by Viacom (which had sold back its stake in Vice). Albright-Hanna called her friend to find out why he ignored her advice. "He told me, 'You were totally right, but the story is good, and we're just gonna pass it on to the next guy,' " Albright-Hanna says.

Vice also began working with WME, the Hollywood agency led by Ari Emanuel. He connected the company with HBO, which offered Vice the chance to bring its documentary aesthetic to a *60 Minutes*–style newsmagazine show. Vice on HBO launched in 2013 and marked the first time much of the broader public had heard of the company. While many old-school journalists were quick to criticize Vice's documentaries, plenty of others recognized something novel in what Vice was doing and were simply happy to see any media company doing well: In a documentary about the New York *Times*, the late media critic David Carr famously took Vice to task for claiming it could cover international conflicts better than traditional news organizations, but his coverage of the company was largely optimistic. Employees at the time, however, recognized that Vice had enjoyed a remarkable string of luck, and started to worry that, as one of them put it, "you can only get the loser to pay for the keg for so long."

The losers kept paying. One day in the fall of 2012, Vice employees were told there would be free pizza and beer at 5 p.m. to eat at their desks. "And then fucking Rupert Murdoch rolls through with Shane," one editorial employee remembers. Smith turned to his old pitch — "I said to Rupert. 'I have Gen Y, I have social, I have online video. You have none of that. I have the future, you have the past,' " he later explained — and Murdoch pulled out his checkbook, investing $70 million in Vice at a valuation just north of a billion dollars. When an HBO executive congratulated Eddy Moretti, the company's chief creative officer, on the investment, he told Moretti that it was nice to see the good guys win. Moretti smiled and replied, "I'm not so sure that we're the good guys."



From left: Smith in the early years. A Vice party last month. Photo: @shanesmithvice/Instagram

Vice employees like to divide the company's history into Old Vice and New Vice, with the only disagreement being the precise moment of the shift. If an investment from Rupert Murdoch hadn't buried Vice's claim to countercultural cachet, a year later, the company received $250 million from TCV, a Silicon Valley venture-capital firm, and another $250 million from A&E, which is jointly owned by Disney and Hearst. The investment valued Vice at $2.5 billion. "We were like, *Whoa! What are we doing that's worth that much money*?" remembers one former editorial employee. "There was also this moment of realization: *I have just built this really valuable brand, and I'm making like $32,000.*"

Smith had adapted quickly to the life of a media mogul. In 2014, the staff of Vice's HBO show was sitting around the pool during an off-site retreat in the Hudson Valley, when a helicopter suddenly appeared over the trees and landed on the lawn. The door opened, and out stepped Smith. In 2015, Bloomberg reported that Smith spent $300,000 on a single dinner at the Bellagio, a figure Smith later disputed: "It wasn't a $300,000 dinner. It was $380, plus tip." That summer, he bought a $23 million home in Santa Monica that had been used in filming *Entourage*, which gave editorial employees at Vice all the inspiration they needed to move forward with a unionization push. "The union drive was going so-so until *Variety* published a story about Shane buying the *Entourage* house," says a former employee who helped with the effort. "We got the numbers we needed the next day."

While Vice's soaring valuation had changed Smith's life, there was little evidence among its employees that they were working at a company more valuable than the New York *Times*. Smith had proudly boasted in the past that Vice was "a sweatshop for trustafarians" who could afford to work for little pay, and in 2014, it was still a place where an employee could find herself taking care of a more senior colleague who was wasted after a Vice party and be worried she wouldn't have enough money in her bank account to give the cabbie cash to clean up any vomit. A senior manager once joked that the company's hiring strategy had a "22 Rule": "Hire 22-year-olds, pay them $22,000, and work them 22 hours a day."

Vice tried to cling to its underdog roots — after Gawker called out Vice for its low wages in 2014, the official Vice press release began, "VICE to Gawker: Fuck You" — but that posture became harder to maintain once the company's own marketing materials began identifying Vice as a "360, Multi-Platform, Vertically Integrated, Global Media Brand." Inspired by the success of "The Creators Project," Vice had been expanding its digital

presence by launching a series of new sites with brand partners on everything from sports to music, and the company was growing so fast that when Smith took visitors on tours of Vice's office, several employees remember that he would shout out various departments — "There's Vice Sports, there's Noisey" — but point in different directions each time. By 2014, Vice had outgrown its office and announced it was taking over a 75,000-square-foot space in South Williamsburg occupied in part by Death by Audio, a local music venue, which pissed off the very people who used to be Vice's biggest fans: One night, a Vice editor got shoved over a railing at a Williamsburg bar by someone upset about the move.

The company's staff was meanwhile trying to figure out what exactly it meant to be a "360, Multi-Platform, Vertically Integrated, Global Media Brand" that still claimed a countercultural heritage. In 2014, the staff of Noisey published a satirical post — "The 123 Worst Musicians of All Time" — that seemed to fit squarely in the Vice tradition ("Jimi Hendrix: This guy could only play one instrument"). But the staff was chastised after the fact on the grounds that the post was "too mean," and Smith told several members of the Noisey staff that if they ever pulled a stunt like that again, he would simply go buy Pitchfork. "We always say that post killed the 'old Vice,' " says one staffer.

The company's documentary work on HBO and elsewhere was more successful in boosting its credibility. Vice's approach to filmmaking was novel yet sensible — take out the boring stuff, leave in the good stuff — and on the finale of its first season on HBO, Vice sent Dennis Rodman to North Korea in a stunt that didn't exactly qualify as sober journalism but was certainly good television. It had also proved that it could do more serious work, and a year later, Vice produced a widely lauded documentary that offered one of the first looks inside the Islamic State.

But there were only so many times you could send Dennis Rodman to North Korea, and for a company that gave young people substantially more opportunities than other media organizations, the desire to produce edgy documentaries led to problems. Multiple employees who worked for Vice's HBO show in its early seasons told me that "it's a miracle no one died," given the company's willingness to send correspondents into dangerous situations. In other cases, producers and editors pushed ethical boundaries. In 2015, an associate producer for Vice on HBO began looking into abortion restrictions that were being put in place in Texas, including a ban on procedures more than 20 weeks into a pregnancy. The producer told a woman that Vice would pay for her abortion if she

was willing to be filmed. (The plan was nixed when the producer's manager found out about it, and the producer was fired.)

At the end of 2014, HBO proposed the idea to Smith of a daily Vice newscast on top of its weekly show. While Smith and HBO negotiated the terms of the deal, HBO found out that Smith was also in talks with Disney about the possible launch of a Vice-branded cable channel. HBO wasn't pleased with the idea of sharing Vice. To smooth things over, Smith called HBO, and, according to a person familiar with the conversation, told him not to worry: Smith promised that he himself would be exclusive to HBO and would not appear on any of the cable networks. HBO told Smith that it wasn't his on-camera appearances they were particularly interested in. Some at the network thought it should back out, but Smith eventually convinced HBO to go through with the deal. In December 2015, Disney announced it was investing $400 million in Vice, and that it would replace H2, a History Channel offshoot, with Viceland. Rogers Communications, the largest cable company in Canada, which had already invested $100 million in a joint venture with Vice, agreed to launch a version of Viceland there, too.

Vice was now worth more than $4 billion, theoretically, and while no one in Williamsburg knew exactly how the company was going to build a daily news show, let alone an entire channel, Vice had managed to back up its own bluster before. Many employees were still poorly paid, but Smith talked constantly about how most of them had stock options and would soon be rich. At a 2015 holiday party, he raffled off a car to one lucky employee in Vice's L.A. office, told her to pick out whatever model she wanted, then handed her a bag of $15,000 in cash bricks. In New York, Alex Miller, who was then the company's global head of content, stood on a table in the office, listed some of the company's recent successes, and yelled, "Next year, we defeat ISIS!"



Smith visiting North Korea. Photo: @shanesmithvice/Instagram

While his global head of content was preparing for war, Smith was preparing an exit. In December 2015, Smith told an employee in Vice's L.A. office that before the new HBO show premiered in the fall, Vice would be sold. "Shane did not want to have anything to do with the daily show," this person says. "He must have told me six times, 'We're gonna sell the company. Everyone's gonna be set.' " In Canada, where the staff had ballooned from 20 employees to 200 leading up to the Viceland launch, employees weren't inspired when Spike Jonze visited the office and told them not to worry whether the channel existed in three years, so long as they had a fun ride along the way. "This woman and I looked at each other and were like, *Oh my God, they don't think they're gonna be here in three years,*" a Viceland producer remembers. "You realized they were planning to get out."

Smith had spent much of the previous year or so dressing up the company. He raised a billion dollars; poached a partner from the law firm Paul Weiss to serve as co-president;

hired Alyssa Mastromonaco, formerly Obama's deputy chief of staff, as COO; and put Josh Tyrangiel from Bloomberg in charge of running the daily HBO show. ("From a management perspective, I definitely arrived wondering where the grown-ups were," Tyrangiel says.) The most obvious potential buyer for Vice was Disney, which already owned a sizable chunk of the company, and Disney CEO Bob Iger visited Williamsburg multiple times. "It makes sense for them, and it makes sense for us," Smith said in 2016 of a possible sale. Rumors swirled in the office that Smith was hoping for more than $10 billion.

But as the year went on, the Disney sale never materialized. Some speculated that Disney might not be eager to own a company with a "Non-Traditional Workplace Agreement." And many people were aware that the company's books had been in a state of relative disarray. Employees found that it was easy to get money for various projects — a Vice producer was fronted $10,000 in cash for a shoot in Latin America, and filed $6,000 in receipts, but was never asked for the other $4,000, which the producer kept as mild revenge for years of being underpaid — but that made reconciling the books a chore. As recently as 2017, when staffers in Canada complained about the delay in getting expenses reimbursed, a manager admitted (though the company now denies this) that there were times the company simply didn't have the cash on hand. "I wish there was a sexier way for me to say this, but the problem was a lack of middle management," a former executive told me. "I needed more accountants and more lawyers."

While Vice's growing array of verticals and shows gave it the appearance of scale, its claim to a unique connection to millennials was increasingly measurable, and the numbers could be underwhelming. Vice's digital audience was smaller than that of some digital-media companies like BuzzFeed and Vox Media, despite having used audience-building strategies that, while not unheard of, weren't especially transparent. Brad Fredricks, the company's director of marketing from 2007 to 2008, said that he was given a mandate to boost traffic and did so by purchasing ads on torrent sites and other high-traffic corners of the web, often featuring "photos of some hot chick with big boobs bouncing up and down." Fredricks says the strategy boosted Vice's traffic from a few hundred thousand visitors per month to several million, while obfuscating who the audience actually was. "Advertisers are assuming these are the tastemakers, not some horny guy who clicked on a dark-web link," Fredricks says.

In 2016, *Variety* reported that more than half of the traffic Vice claimed as its own on Comscore came from "the digital equivalent of mortgage-backed securities": The

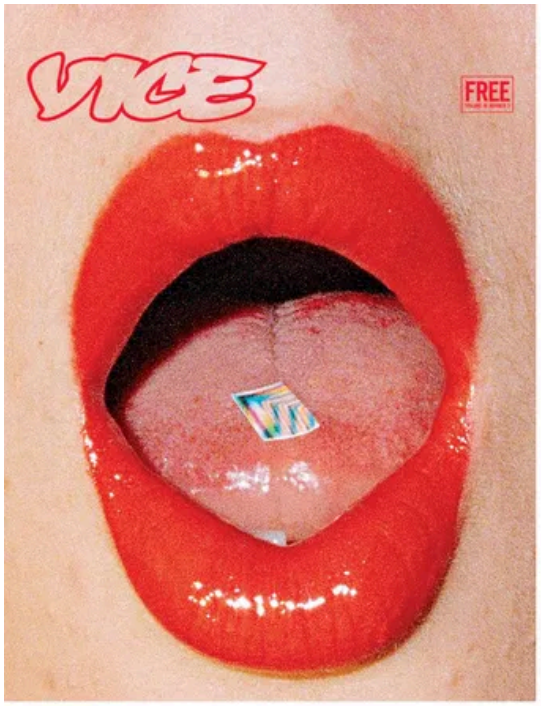
company had struck deals with a number of spam-y websites like OMGFacts and Distractify — along with The Awl and Modern Farmer — that allowed Vice to count their traffic as its own in exchange for selling ads on their behalf. Vice no longer works with OMGFacts or Distractify, but more than half of Vice Media's traffic on Comscore today comes from a similar arrangement with ranker.com, a site that publishes lists like "The Best Websites to Waste Your Time On," on which ranker.com was ranked No. 2.

And then there was Viceland, the linear television channel with the promise of a more traditional revenue stream and Vice's entry into the media big leagues. A&E had flipped H2, a channel with an older audience than most cable networks, in the hopes that, as Smith promised, Vice could buck every prevailing trend in media. "Twelve months from now, we'll be on the cover of *Time* magazine as the guys who brought millennials back to TV," Smith boasted when Viceland launched. The company insisted on developing all of the content in-house and spent wildly to premiere with an ambitious slate of shows. "We came from that punk-rock magazine background, which is like, 'We'll do it ourselves, and everyone says you're crazy,' " Guy Slattery, the president of Viceland, told me. There were shows about weed and skateboarding, but also many that would have been unrecognizable to a Vice reader from the Gavin McInnes era: Gloria Steinem hosted a show about oppression and violence against women, for instance, while Ellen Page hosted "Gaycation," about global queer culture.

The network's early ratings were poor. It continues to grow, and does respectably for a channel with its level of distribution (some cable providers do not include it in their basic package). But in the first quarter of 2018, it averaged only 103,000 prime-time viewers, which made Viceland the 83rd most-watched cable channel, two spots behind MTV2 and just ahead of Great American Country. *Vice News Tonight*, on HBO, averages around 600,000 viewers, and the weekly show does 1.7 million. "We have the youngest demographic, according to Nielsen, of any news show — network or cable," Tyrangiel told me.

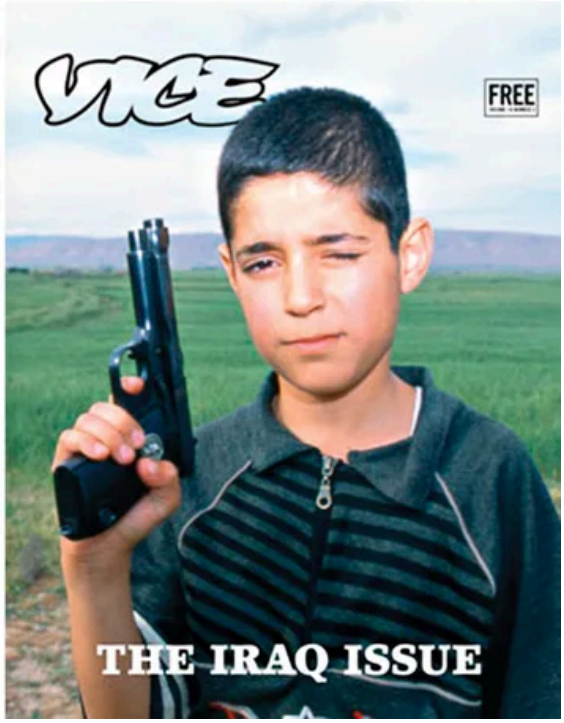
While Viceland also has a younger audience than many networks, its average age is still 42, which has had the effect of both expanding and aging Vice's demographic. This was more than a small problem for a company whose entire selling proposition was its ability to reach a young audience. Over the years, Vice has proclaimed itself the voice of Generations X, then Y, and now Z, the youngest of whom don't identify with the punk tenor of the company's origins. Vice's audience still skews male, and a loyal chunk still lingers from the company's more macho days. (A Vice staffer told me it was relatively

easy to get access to law enforcement: “Nobody loves Vice more than cops.”) In a meeting just before Donald Trump’s inauguration, Eddy Moretti warned the editors of Vice’s websites against leading an editorial resistance and offered a confusing proposition that may have put the final stake in Old Vice, suggesting that “we might want to develop the Vice version of David Brooks.”









All this left Smith heading into 2017 in a position he hadn't planned to be in: still owning his company, which was now populated by employees 20-plus years his junior who didn't care that he'd once been in a punk band called Leatherassbuttfuk. That January, according to the *Journal,* Smith presented the case for an IPO to Vice's board, an idea that was rejected as premature. (Vice disputes this.) With nowhere else to turn, and having spent wildly to fund the Viceland launch, the company needed more capital, and in June, Vice announced it was taking on $450 million from TPG, a private-equity firm, at a valuation of $5.7 billion. The investment came with yet another announcement that Vice was expanding into a new legacy-media market — feature films — but was followed by a signal that it was no longer in a state of constant growth. A month after the TPG investment, Vice laid off 60 people and shut down two of its websites. "The day after the layoffs, everyone was pissed off," says one editorial employee who survived the purge. "That's when I found out about the New York *Times* story."

The *Times* story was an investigation by reporter Emily Steel into sexual misconduct at Vice. The founders had publicly boasted about orgies and lascivious behavior in the past, and it wasn't hard to imagine that much worse could be revealed. Several female Vice employees told me they'd joined the company armed with warnings to avoid particular men, and while the culture had buttoned up over the years, vestiges of it remained, and women reported a range of difficult and uncomfortable situations.

Vice management was nervous about the story and who might be talking to the reporter — a paranoia that wasn't unfounded. Dozens of employees I spoke to describe Vice as a creative environment that gives them enviable opportunities, but many who have left say they feel some level of resentment, whether from low pay, managerial chaos, or overwork, and a number harbor a deep antipathy toward Vice. While the *Times* story was being reported, one disgruntled former employee had taken several female colleagues out for seemingly casual drinks during which he'd probe whether they had experienced any inappropriate interactions with Vice executives. One asked if he was recording her. He said, "Yeah, but you aren't giving me anything good."

As the year wore on, women who spoke to Steel told male colleagues to start looking for new jobs, and the HBO staff worried that the network might terminate its relationship just as it had with Louis C.K. and the journalist Mark Halperin. In November, the Daily Beast published its own article about harassment in Vice's L.A. office, and a couple days later, at a prescheduled "state of the union" address, Vice employees sat dumbfounded as

the company played a prerecorded video featuring employees talking about how much they loved working at Vice without discussing the issue at all.

Two days before Christmas, the *Times* published its story alleging a range of misconduct by executives and managers throughout the company, including confidential settlements with female employees. Smith was not implicated, and the company's employees were roughly split between people who breathed a sigh of relief that the story had not been worse, and others who felt Vice had gotten off easy. Smith and Alvi wrote a letter apologizing for the company's "boys' club" culture and promising change, some of which was already under way: Steinem and Mastromonaco, who left Vice after two years, were named to a Diversity and Inclusion Board, and the company announced that it would achieve pay equity between men and women by the end of 2018.

No update has since been given on the pay-equity issue, leaving some employees to wonder if Vice had underestimated the scale of the problem. In February, a former employee filed a class-action lawsuit alleging that the company had systematically underpaid female employees. (A lawyer for the plaintiff says dozens of Vice employees have contacted them, including a number of men who e-mailed simply to share their salaries in case doing so was helpful in building the case.) While several employees were publicly suspended or left the company as a result of the reporting on sexual misconduct, in recent months, Vice has also quietly let go of multiple longtime male employees against whom women have made allegations of harassment and assault. The company's human-resources department had begun reinvestigating various claims, including one that a female employee had first brought to HR in 2015, when she said that she was punched in the face during a sexual encounter with a senior manager from another Vice office. Nothing was done at the time, but after she spoke to a third-party investigator hired by Vice earlier this year, the man was fired. When she checked his Twitter feed, he described his departure as stemming from a desire to pursue other projects.

Both male and female Vice employees told me that beyond the allegations of harassment and assault, which were distressing enough, the company's culture also had an impact on its bottom line. Consensual interoffice romances were rampant, which led to constant tension, and Vice seemed to show a strange loyalty to longtime employees who were promoted into managerial positions that did not seem to suit them. After multiple employees complained about one current manager, who was friends with Smith, one of them was told by HR, "We've heard a lot about him, but it's in Shane's hands." (Smith denies protecting anyone.) Many people described a phenomenon they called "rubber

rooming" — a reference to the New York City Department of Education's former practice of forcing suspended teachers to sit in a room while serving out their probation — by which some problematic employees were shuffled into positions where it wasn't clear what they did or why they were kept around. (It did not surprise anyone to find out in the *Times* story that Vice's former head of HR had previously worked for Harvey Weinstein's Miramax.)

The workplace culture has obviously improved over the years. "Do I think some of the men at the top of the company are pieces of shit? Absolutely," says one male editorial employee. "But all my bosses are women." Still, the *Times* story cast a pall across the company. "At the onset, it was, 'There's a new person, can we hug her?' " Marsha Cooke, a 25-year veteran of CBS News who joined Vice in January, told me of her arrival. Cooke had been hired as Vice's senior vice-president for content strategy and community, but she said that she had spent most of her first few months on the job working on the latter. She insisted that things were hopeful: She was sitting in a leather sofa in a conference room at Vice headquarters wearing a Vice ring, the once-coveted piece of jewelry that has always demonstrated devotion. Cooke had joined Vice on much the same pitch other employees had over the years—"I got a call from Shane one day that said, 'Wanna come with me and change the world?' "—and said she felt that other Vice employees share her enthusiasm. In her first address to the staff, Cooke said that she heard such pride in the organization that she half-expected the room to turn into a scene from *Spartacus,* with each of the company's creatives standing up, one by one, shouting, "I am Vice!"







Vice documentaries in Pakistan, Liberia, and Charlottesville.

In 2014, Smith had predicted that Vice's revenue would reach $1 billion the following year and said that the company was "throwing off so much money" at profit margins of 34 percent. It isn't. Last year's disappointing revenue numbers — it grew, but was $100 million lower than Vice's internal $805 million target, according to the *Journal* — didn't include the fallout from the *Times* story and the subsequent dissolution of a planned partnership with *Vogue*. Ally Bank said it would "pause" its work with the company, and one major alcohol supplier recently ordered its marketing team to pull its business from Vice. Employees at Virtue say they have spent considerable time this year assuring clients the company was changing, that many have stuck with them, and 13 new ones have arrived. When I asked Dominique Delport, the chief revenue officer, whether the company was profitable, he declined to say and suggested that dollar figures were the wrong way to think about Vice. "The company profit is to everybody who watches Vice, because they feel smarter," he said. Delport added that he was "aggressively optimistic" about the company's future, then sat back in his chair and said, "I sleep well."

The person ultimately tasked with finding dollar-figure profitability, of course, is Nancy Dubuc, a well-regarded executive who had helped turn around the fortunes of the History Channel and developed *Duck Dynasty* into a hit for A&E. (She was also a member of Vice's board of directors.) Many media observers believe Vice's biggest misstep was launching the cable channel in 2016 — an expensive proposition at any time, and an unusual one when so many legacy television companies are shifting resources beyond linear cable — but multiple company executives told me that they still view it as an integral part of Vice's web of businesses. "I believe this is the model that's going to succeed in media," says Guy Slattery, who left A&E to help run Viceland in 2015. "You have to be digital native, and you have to have relationships with brands. We can then monetize all this Viceland content because we have all these tentacles." (Dubuc herself declined to comment, explaining that she was still settling into her role.)

One of the tentacles is Vice's network of international channels, which largely air shows produced in North America. The company is bullish about its prospects abroad, despite a handful of recent setbacks. In January, Rogers Communications announced it was pulling the plug on its joint venture in Canada, taking Viceland off the air entirely. In India, where the company was planning to launch a cable channel in early 2017, it still doesn't have a license to operate one, and though it launched a website in April, Vice has lowered its ambitions to aiming to introduce a block of shows on another channel later

this year. In France, the newspaper *Libération* recently reported that Viceland sometimes has fewer than 100 viewers a night. (Vice insists the numbers were not accurate.)

But the underlying driver of Vice's success has always been the close connection between its editorial work and its work for brands. *Beerland,* for instance, is a Viceland show that follows a brewer who works for Anheuser-Busch and travels around drinking home-brewed beer and offering tasting notes; the show is sponsored by Anheuser-Busch, a major client of Virtue's. "Shane would always say that young people are the No. 1 bullshit detector, which was annoying once you realized that the thing he mastered is getting young people to buy shit," says a recently departed senior employee. To grow the branded-content business, though, the company needs to keep expanding the kinds of brands it's willing to produce work for. Last year, Vice seriously considered a request for a proposal from the NYPD to help rebrand the department, which drew objections from a number of employees.

The contract for Vice's weekly show on HBO is up at the end of this season, and no renewal has been announced. (The nightly show, whose coverage of the white-supremacist rally in Charlottesville last year won numerous awards, is funded through next year.) Demands to grow traffic on its website have increased, according to multiple employees, while editorial budgets are being trimmed. In April, the ad agency WPP said it might look to offload its 9 percent stake in Vice, and under the terms of Vice's deal with TPG, the fund is not only protected if Vice sells for less than its valuation, but its stake in Vice is scheduled to grow if the company doesn't sell or go public in the next few years. When Smith engineered that investment, the $5.7 billion valuation looked like one more astonishing triumph. Depending on how desperately Vice needs cash in the future, it might end up being the worst deal he ever landed.

Amid all of the financial pressure, Dubuc has to sort out the more existential question of exactly what Vice is now that it airs reruns of *Hoarders* on its cable channel in prime time — Viceland now licenses some shows to help fill time on its schedule — and launched a new "luxury travel" site aimed at adventurous men with expendable income. "The reality is that there was never any specific plan that took us anywhere," says Suroosh Alvi, of the company's past 24 years. "We have not followed any path other than growth. We didn't adhere to any business philosophy other than 'survive.' " He calls Vice "the largest youth media company in the world," standing at "the pinnacle of new media. Which, ironically, is just our beginning." But Tom Punch, the company's global chief creative and commercial officer, told one employee last year that Vice executives were well aware the

company had lost its cool. (Punch denies this.) A 20 17 report funded by Google found that among 122 brands, teenagers found Vice to be the second-*least* cool, less than Yahoo, the Sunglass Hut, and JCPenney, and even if this overstates the case, it suggests an age-old branding challenge. “When you have a product aimed at young men, it generally does not have a long life, because they move on with their lives,” Jann Wenner, the founder of *Rolling Stone*, told me. “The next group of 18-to-22-year-olds doesn’t necessarily care.”

But no one has lost money betting on Shane Smith yet, and it’s possible the hype can last. A Vice employee who had been interviewing for jobs at old-media companies was surprised and relieved to find those publications were still taken with the idea that Vice had discovered some secret sauce for appealing to young people. The interviewers wanted to hear about the employee’s credentials, but also hoped to get answers to a bigger question: How did Vice do it?