

The Adventures of Gary Kremen – The King Of Twisted Online Sex

Sub to The Daily Mail

Steven Klopf, now with IDEO, Philip Father and Gary Kremen set out to make the most money anybody could ever make by monetizing perversion. They started SEX.COM and the rest is history.

Klopf was working with TSBN in San Francisco, the founder of ClickMovie.com and the creator of Sony's online digital media architecture. ClickMovie.com was the world's first internet video network. ClickMovie.com offered every function of YouTube, years before YouTube even existed. Father and Kremen harvested Klopf from TSBN to run the biggest, dirtiest thing anybody had ever created. SEX.COM was able to put the most twisted porn on Earth on the desktops of over 2 billion people. The rest is history, but, oh what a strange bizarre history it is...

Sex.com founder spending hundreds of thousands of dollars in bid for Santa Clara water district seat
By Paul Rogers

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Herhold: A donnybrook of a fight for the Santa Clara Valley Water District board

Water district elections are usually low-key -- if not boring -- affairs. Not this year.

A Silicon Valley entrepreneur who first gained fame two decades ago for registering the domain name sex.com in the Internet's early days has spiced up the fall campaign season with a tidal wave of spending in an attempt to win a part-time seat on the board of the Santa Clara Valley Water District. Gary Kremen, 51, of Palo Alto, had raised \$346,773 as of last week, most of it out of his own pocket. That's at least five times more than has ever been spent by a candidate for the water district, a San Jose-based government agency that provides drinking water and flood protection to most of Santa Clara County.

Brian Schmidt, left; Gary Kremen (Handout photos)

Kremen has blanketed the area he hopes to represent -- from Palo Alto to Los Gatos to Almaden Valley -- with glossy mailers and yard signs. He has posted ubiquitous Facebook ads, paid for tracking polls and even hired longtime political consultant Rich Robinson of San Jose, whose clients have included Sen. Dianne Feinstein, former San Francisco Mayor Willie Brown and Bill Clinton.

The spending spree is raising eyebrows.

"It's very unheard of for someone to spend that kind of money in a water district race," said Larry Gerston, a political-science professor at San Jose State. "I can't tell you what his reasons are."

Kremen, currently president of the board of Purissima Hills Water District in Los Altos Hills, says his motives are simple.

"I want to win," he said. "As people have seen in my career, I like to move the needle by winning, not losing. It's really a huge district, and it's hard to beat an incumbent."

The incumbent, fellow Democrat Brian Schmidt of Mountain View, is troubled by Kremen's shock-and-awe campaign for a job that pays \$260 per meeting.

"Why is he spending so much? I don't know what to say," Schmidt said. "It could be that he thinks it's a steppingstone for higher office. It's tricky to try to get at somebody's deeper motivations, but it is really concerning."

Schmidt is a soft-spoken Stanford University law graduate who formerly worked for the Committee for Green Foothills. First elected to the water board in 2010, he has raised \$13,181 for his re-election bid. Kremen, a Chicago native with an MBA from Stanford, sold sex.com for \$15 million in 2006. He also founded Clean Power Finance, a solar company, and Match.com. But he didn't make much money off the dating site after it was sold in the late '90s by the board of its parent company over Kremen's objections.

In 2007, he told The New York Times his net worth was \$10 million.

"You're nobody here at \$10 million," he told the Times, referring to Silicon Valley's wealth.

If elected, he said, he will bring more technology and innovation to the water district. Kremen also is proposing cleaning up creeks by providing security deposits to homeless people so they can rent apartments and move out of creek encampment. He also wants to "radically" increase spending for rebates to people who install gray-water systems and high-efficiency toilets and appliances. And he criticizes the district for being slow to seismically retrofit its dams and for leaving water stored underground near Bakersfield -- water that it cannot get out during the drought.

Schmidt notes that he pushed for reforms at the water district, including revoking a \$23-per-meeting raise that board members had given themselves, and for changing district meetings from morning to evenings so more people can attend. He also championed expanding district conservation programs, such as rebates for low-flush toilets and removing lawns.

Schmidt points out warily that Kremen is a founding investor and chairman of the board of WaterSmart, a San Francisco company that sells software to cities and water districts to show residents how much water they are using compared to their neighbors. WaterSmart's customers include the cities of Mountain View and Palo Alto, both of which work closely with the Santa Clara Valley Water District.

"His continued involvement with the business could create potential conflicts of interest," Schmidt said.

Government reform groups agreed.

"It could be that he really cares about water policy. That is not the issue," said Kathay Feng, executive director of California Common Cause.

"The real question is whether there might eventually be a conflict of interest that arises from having a direct say in the awarding of contracts or choosing of vendors where there could be a financial benefit." Added San Jose State's Gerston: "The guy may be totally legitimate, but it doesn't pass the smell test." In response, Kremen told this newspaper he will resign as WaterSmart's chairman and sell or donate his shares if there is a conflict.

Largely overshadowed, a second of the seven water district seats is also on the ballot, with incumbent Dennis Kennedy, a former Morgan Hill mayor, facing financial consultant Tom Cruz. Each has spent less than \$11,000.

Kremen, meanwhile, has received endorsements from dozens of high-profile political leaders, including U.S. Rep. Anna Eshoo, D-San Mateo; Santa Clara County Sheriff Laurie Smith and District Attorney Jeff Rosen; and former Democratic candidate for governor Steve Westly, Kremen's business partner. One former water district chairman who has endorsed Kremen said he doesn't see a problem with his big campaign bankroll.

"If he wasn't qualified and was trying to buy his way in, I would be concerned," said Gilroy Mayor Don Gage. "But from what I can tell, he is sincere. He's a bright young man."

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Stephen Cohen •

Only a fool would believe anything Gary Kremen had to say! He invented online dating. Give me a break! This guy has been a loser all his life.

I knew Gary when he was flat broke and living in San Francisco. He was a junkie strung out on drugs and now he wants to be part of a water district. Is this the kind of person we want on our water board?

Shirley LeGitte •

"You're nobody here at \$10 million,"

Why? Because he's a nobody, who wants to be a Somebody.

Too bad he just offended all the other "nobodies", who he wants to vote for him...

Be Careful what You Wish For: The Continuing Saga of Gary Kremen and Sex.com

Just about everyone in the domain business dreams of one day selling a name for enough money to retire on. A few weeks ago it happened for 42-year-old Gary Kremen. He sold sex.com in a cash and stock deal worth at least \$12 million to fulfill a burning desire to be rich that dated all the way back to his high school days in Skokie, Illinois.

For most people that's the happy ending and the story would stop right now. However, for Kremen the sale of sex.com is just the midway point in a journey that has already taken him to hell and back on a quest for justice that may never end.

Gary Kremen at home in San Diego

As a kid who could be described as half geek and half hoodlum in high school, Kremen didn't look like a good bet for success. "I got involved in the usual juvenile stuff - busting windows, breaking into the school and trashing it as well as computer hacking," Kremen said. Since his parents were both teachers, you can imagine what a source of consternation his behavior was at home.

With their blessing, the police department picked Gary up one day and gave him a glimpse of what life looked like from the inside of a jail cell. That experience had the desired effect. As a kid who wanted to make big bucks, Kremen realized a guy's income opportunities could be severely limited if he was locked up.

Kremen didn't have the good looks or athletic prowess that insures popularity in high school, so he looked to business as an arena where the playing field was level, where anyone could compete whether they were fat, thin, male, female, black, white, or anything in between. He believed the business world was a place where he could beat all comers and elevate the self esteem that teenage peers sometimes mutilate.

"In our culture one measure of success is the amount of money you earn," Kremen said. "While we might start with different amounts, the change in the amount of money you have can be compared between people. Our society is competitive and this was a way for me to compete."

Having been scared straight, Kremen made it through high school and managed to convince a highly-ranked private school, Northwestern University in Chicago, to let him in even though his grades were not the best. Kremen said he did it by looking at the admissions officer as his "customer". He understood what this customer wanted and tailored his message to convince him that he could deliver something that would be worth having.

"My grades were just a little above average, but what is really the point of grades? To prove something to your parents, to prove something to yourself or to show some college that you are not as dumb as a rock? There are other ways to prove these things," Kremen said.

He knew the school wanted diversity so in his admissions essay he played up his ability to bring an entrepreneurial zeal, inquisitive mind, technological skills and other contributions to the classroom. It was all about differentiating himself from the crowd and it worked.

Kremen convinced Northwestern he could add something unique to their mix and post good enough grades to keep from embarrassing them or himself. In 1981, he began work on a double major in business and electrical engineering while holding down an after-class job. By the time graduation rolled around he had done so well that multiple corporate recruiters turned up on campus with job offers. He decided to go with a government aerospace contractor and on that first job he was introduced to ARPANET (the U.S. Defense Department's original version of the online network that led to today's Internet).

With this early peek at a force that would change the world in the years ahead, Kremen decided he wanted to bet on himself by becoming an entrepreneur. He moved to California's Silicon Valley to attend the prestigious Stanford Business School and hone his skills. In the early 90's he began working for himself, first selling software, then security programs for computers that were plugging into this new thing called the Internet.

Kremen as a young entrepreneur
in the early 1990's

.Com and .net domains were just being introduced and initially, even though they were free of charge, Kremen was one of the very few people interested in getting them. "I saw the future," Kremen said, "I could see the next 15-20 years laid out in front of me. I knew there would be a real estate grab and that generic domains would be BIG."

Kremen was also convinced that someday classified advertising would move from newspapers to the Internet, so he started registering names based on what he saw in classified ad headings, picking up Jobs.com, Autos.com, Housing.com and Sex.com to name a few (all free of charge!).

He did open his wallet to get a domain that put his entrepreneurial career in orbit, paying \$2,500 in 1994 to buy a small email-based dating service at Match.com. Kremen invented a database to streamline the operation and pitched his vision for a national singles network to venture capitalists who quickly came on board. Within two months he had 7,000 members and a business that was growing 10% a week!

Kremen wanted to take the newspapers on and expand into other traditional classified ad areas, but his investors were satisfied with the horse they were on and he wound up being outvoted. Kremen exited (with a huge pile of stock) and went off to seek a new adventure. However before he had a chance to saddle back up, trouble, in the form of a career criminal named Stephen Michael Cohen, found him and drew Kremen into an 11-year nightmare that, despite his sale of sex.com, isn't over yet. He will likely be tracking down the millions of dollars that Cohen owes him for many years to come.

Though Kremen was a hell raiser in high school, he was a choirboy compared to Cohen who grew up in a broken home in Van Nuys, California (an L.A. suburb in the San Fernando Valley). In 1995, Cohen (who was 46 years old at the time) was released from his latest jail term, this one a 46-month stint in federal prison for fraud. His rap sheet already included such niceties as failure to pay child support (for a daughter who later became a police officer), passing bad checks, car theft, forgery and grand theft. Cohen's criminal trail was littered with five ex-wives along the way.

Just months after Cohen got out of prison in 1995, Kremen learned that the registration for his valuable sex.com domain had somehow been switched into Cohen's name. It was later learned that Cohen had forged documents that convinced registrar Network Solutions to transfer the domain to him. He then quickly shuffled the domain through a string of corporate entities to try to cover his trail.

Stephen Michael Cohen
1966, Van Nuys High School

Partly because Kremen had registered sex.com at no charge, Network Solutions showed no interest in helping him get the domain back. Kremen filed suit against Cohen and Network Solutions and began a six-year battle to get the domain back, a battle that would drain him financially and emotionally. He went through \$5 million in legal fees, a mountain of money that included not only his last dollar at one point, but the last dollars of investors who had agreed to help bankroll the litigation in return for a share of sex.com if and when it was ever recovered.

As the fight dragged on year after year, the investors bailed out. Attorney Charles Carreon helped keep Kremen in the fight by agreeing to represent him and take payment only if he won. In 2000, another lawyer, Jim Wagstaffe, joined Kremen's legal team as the lead attorney. Wagstaffe documented that Cohen has already moved \$25 million in earnings from sex.com offshore. He was reportedly making \$750,000 a month in pay per click and affiliate revenue earnings from the stolen domain. Finally, on Nov. 27, 2000, the ruling Kremen had hoped for was handed down. A judge ordered that sex.com be returned to him and that Cohen pay him \$65 million in damages and stolen revenue (with interest constantly accruing, that figure stands at approximately \$83 million today).

The judge's decision was Cohen's cue to flee the country and live off the money he had stashed around the world. Amazingly, on the same day the decision came down, Cohen was able to transfer another \$1 million offshore while no one was watching. Having won the battle, but seemingly lost the war (with Cohen and his assets still out of reach), Kremen fell into a period of depression that led to drug abuse, a habit he was fortunately able to kick with support from his family.

Gary Kremen - 2006

Despite the hell Cohen has put him through, Kremen isn't crying over spilled milk. To the contrary he says some positive things have come out of his experience. "You can look at a glass as half full or half empty," Kremen said. "I see it as half full. My life could have been much better without Cohen in it, or it could have been much worse! I actually learned a lot as a victim. I learned a lot about people's character and a lot about the law. My life wouldn't have been as full if I had not been a victim!"

Still Kremen is only human and there were times he questioned whether he should continue the fight. "I did think of throwing in the towel, but only when I thought chances of recovery were low. I will actually stop my efforts if they are not worth the potential return," Kremen said.

The cards did start falling Kremen's way in late 2001 when the court handed him the first major asset Cohen had purchased with sex.com earnings, a 8,900 square foot 6-bedroom mansion in San Diego's exclusive Rancho Santa Fe community. The house remains Kremen's home today, though he splits his time between the 3-acre estate and his business office in San Francisco where he runs his own PPC search engine, GrantMedia.com.

By the time Kremen got sex.com back, the internet bubble had burst. He did earn about \$500,000 a month the first few months after the domain was returned to him, but revenue quickly fell off after that. With the domain business entering what turned out to be a three-year downturn, Kremen's hope rested on recovering more of the assets Cohen had bought with his money and collecting damages from the registrar that had handed his domain over to the criminal.

He succeeded on the latter count in 2003 when Network Solutions agreed to a settlement with him that was reportedly worth close to \$15 million. With those new resources he continued his pursuit of Cohen and his assets. Cohen had been spending a lot of time in Tijuana and due to Kremen's persistence, Mexican authorities finally took an interest in the fugitive and arrested him on Oct. 27, 2005. He was turned over to U.S. authorities who promptly moved Cohen to a Silicon Valley jail cell where he remains today.

You might think Kremen would take special delight in Cohen's current situation but that is not the case. "Actually I am sorry it has led to anyone being in jail. It's very sad because it did not have to come to

this,” Kremen said. “I don’t believe much in retribution. It doesn’t get you as much as you think it does.”

Stephen Michael Cohen's current home,
The Elmwood Men's Correctional Facility
Milpitas, California

Kremen was recently awarded ownership of a shrimp farm Cohen had in Mexico, as well as a minority interest in a Mexican strip club. He has also recovered two parcels of Tijuana land but the vast majority of the assets Cohen acquired with sex.com money are still unaccounted for and Cohen is not cooperating with authorities trying to locate them. That leaves him in contempt of court and undergoing a slow rot in jail until he decides to start singing.

In the meantime, Kremen decided it was time to part company with the domain name that had made his life both rich and wretched. In January he accepted an offer from a Boston-based group (Escom LLC) to sell sex.com in a deal he told us was structured to give him approximately 90% in cash and 10% in stock. Kremen said the package was worth a minimum of \$12 million to him and could wind up being worth as much as \$20 million depending on how the stock component performs. Whether you take the high figure or the low one, it would be the biggest pure domain sale of all time (revenues produced by sex.com came from the inherent type-in traffic attracted by the name itself – it was never a business that sold products or services directly to the public).

So why did he sell? “I realized that the value of sex.com as a brand name was actually worth more than the current type-in revenue value of the domain,” Kremen said. Sex.com accounted for 10 to 20% of GrantMedia.com’s total traffic, but Kremen was able to quickly restore a significant portion of that traffic by purchasing a portfolio of 4,000 domain names with part of his proceeds from the sale. “I plan to keep at least one foot in the traffic space and my business is more non-adult than adult now,” Kremen said.

While he didn’t specify the multiple of earnings that Escom paid for Sex.com, Kremen said he personally wouldn’t pay more than 4-5 times annual PPC revenue for a domain because the future of technology was too uncertain. In the adult arena, he said he wouldn’t pay more than two times earnings because the category has very limited exit opportunities due to there being fewer buyers in the space (one that is shunned by public companies for obvious reasons).

In addition to his windfall from sex.com, Kremen still owns sex.net and also has a trademark on sex.xxx, even though he believes the proposed .xxx extension will never go anywhere, even if it does eventually become part of the domain name system.

The sex.com battle hasn't killed him, so Kremen says he is only getting stronger!

He can also look forward to the likelihood that his story will one day appear in bookstores and possibly even in a motion picture (if that happens Kremen thinks Jack Black would be a good choice to play him). Michael Gross has already written a very well researched and highly detailed article titled "The Taking of Sex.com" that appeared in the February 2006 issue of Playboy Magazine. His account (which includes his own face to face encounter with Cohen before he was arrested in Mexico) has all of the elements needed to write a top notch screenplay about the biggest theft in Internet history.

Though a lot has already been said and written about him and sex.com, Kremen said his story is just beginning. “Nietzsche said that which does not kill you makes you stronger and I think that is true,” Kremen said. “Learning new and old things and proving myself up to a task is good for self esteem. I have a lot more to prove in my life – stay tuned!”

Author: Chris O'Brien. Chris O'Brien Magazine

The Prisoner of Sex.com

Gary Kremen started Match.com but ended up with chump change. Then he got caught up in Sex.com, where success left him lying on his back in the gutter.

It's a typically sunny day in Rancho Santa Fe, California, and Gary Kremen is standing on the back patio of the mansion that's a monument to his greatest success – and his worst failure.

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A sleepy suburb 15 miles north of San Diego, Rancho Santa Fe is the richest community in the country, according to the US Census Bureau. Even by local standards, Kremen's seven-bedroom home is swank: It has a swimming pool, an in-ground hot tub, a tennis court, and a volleyball sandpit, all set against rolling acres of lemon groves.

Kremen won the house in a lawsuit over the domain name Sex.com. In November 2000, at the end of a three-year legal battle, a federal judge ruled that Stephen Cohen had stolen the domain by forging a letter from Kremen's company to Network Solutions. Cohen was ordered to return Sex.com to Kremen and pay him \$65 million in damages. (Cohen appealed, and in June of this year, the US Supreme Court declined to hear his case.) In the meantime, Cohen had fled the country, so all Kremen got as compensation was this California mansion and a derelict house on the US-Mexico border. Even so, Kremen figured he'd found his winning lottery ticket. Under Cohen, Sex.com had been taking in \$500,000 a month selling banner ads to other online porn sites.

It takes only a quick peek inside the Rancho Santa Fe house to realize Kremen, 39, didn't hit the jackpot. The place is an utter mess. The doors have no knobs. Only a few of the rooms have beds, which are rented. The kitchen has 35 cabinets and four refrigerators, with Post-it notes on the few that contain food.

Sex.com is in similar shape, a marquee property decaying beneath an enticing facade. When Kremen took possession of the porn portal, he figured it would run itself. But by early 2001, the Internet had become saturated with free porn on peer-to-peer networks like Kazaa, and Sex.com's revenue dropped by two-thirds. Kremen compounded his problems with lousy management skills – multiple firings, obsessive litigation – and an addiction to speed. "I'd be lying," he admits, "if I said I wasn't my own worst enemy sometimes."

Most porn sites reacted to the crisis in the industry by getting more extreme – bombarding visitors with spam, hawking herbal sex-enhancement products, catering to bizarre fetishistic niches. But "we want to get away from porn's negative aspects," Kremen says. He wants to make Sex.com an advertising middleman, selling sponsored links that would appear on major search engines as well as his own site. "Our pitch is simple" Kremen explains. "We'll deal with the adult industry so you don't have to."

Even if that's possible, Kremen might not be the man for the job. As we talk in an office he keeps in the mansion, a man bounds into the room. Kevin Blatt is an adult-entertainment business consultant who goes by his initials; KB has short, gelled hair, a goatee, and sunglasses he keeps on indoors. He works for HerbalO, a company that sells virility products on adult Web sites. Kremen thinks that's tacky. KB scoffs: "If there's money on the table, I'm going to take it."

By KB's side is his current girlfriend and the star of Girliescam.com, Anna Castro, who's wearing a tank top that barely conceals her breasts. "This is Girlie," KB says by way of introduction. "She's hot. And she sucks cock like you wouldn't believe."

Kremen is speechless. "Well," he says.

Kremen sees himself as an accidental pornographer. But he's best described as a speculator in virtual real estate who bought property on the wrong side of the tracks and toughened up to fit in with the neighborhood. In the early 1990s, when the Mosaic browser was fresh to the Web, Kremen registered

dozens of domain names like jobs.com and housing.com while they were still free, figuring they could be worth a lot down the road.

Meanwhile, he focused on a site he already had up and running, Match.com. At the time, online personals were seen as terminally tacky – customers faxed in their photos – and venture capitalists were dubious. In 1994, Kleiner Perkins Caufield & Byers offered to invest in the online classifieds business that Match.com was part of, but the VCs wanted to merge it with Architext, which would become Excite.com. Kremen said no, because he wouldn't be made CEO of the new company. Instead, he accepted money from a group of investors led by Canaan Partners. As Internet dating became popular, Match.com started to draw media coverage. A typical photo, in the San Francisco Chronicle, featured Kremen looking forlorn and holding flowers, alongside a story about how the founder of Match.com couldn't get a date.

His relationships with his financial backers weren't so smooth, either, and Kremen developed a reputation for being smart but tough to deal with. The board wanted him to start developing other classifieds and stop messing around with lonely-hearts ads. "They were embarrassed by it," Kremen remembers. Meetings became shouting matches. "Gary sometimes loses perspective," says Ron Posner, a venture capitalist who was on the Match.com board. "VCs would call me in the middle of the night and say, 'What are we going to do about Gary?'"

Over Kremen's objections, Match.com was sold for \$8 million in 1997 to Cendant, a Connecticut consumer services company. (A year and a half later, Cendant sold it to Ticketmaster Online-CitySearch for \$50 million.) All Kremen got was \$50,000 and a lifetime account on the site – his login is "The Founder."

It was around this time that Kremen discovered Sex.com had been snatched by Cohen, and he pursued the epic case through six lawyers, two dismissals, and a host of setbacks. When he finally won three years later, he was on the verge of bankruptcy. He figured Sex.com represented his second chance to build an empire, to show those VCs what they had missed.