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The flight attendants unions at JetBlue and Spirit are divided on the proposed merger of the two companies.

**5 TECH FIX** Twitter was right: Text authentication is not the most secure way to protect your account.



### 7 SPORTS

He was a star on the pursuit oval, but Ashton Lambie is happier exploring off-road. Even if it means losing.

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TECH | ECONOMY | MEDIA | FINANCE

## Business The New Hork Times



Kormotech was able to recover from supply chain turmoil and increase revenue in part because it routinely stocked its warehouses with up to two months of ingredients for its pet food.

# Thriving Through a Year of War

## Online Fall: Ozy Founder Is Charged With Fraud

Digital start-up unraveled after its business practices came under scrutiny.

#### By Benjamin Mullin, Katie Robertson and Ben Protess

Carlos Watson, the founder of the troubled digital start-up Ozy Media, was arrested on Thursday and charged with multiple counts of fraud, punctuating one of the more precipitous falls in the annals of online journalism.

Mr. Watson, 53, "engaged in a scheme to defraud Ozy's potential investors, potential acquirers, lenders and potential lenders" by misrepresenting the company's audience numbers and financial results, prosecutors for the Eastern District of New York said in a court document dated Wednesday.

He was arrested by the F.B.I. at a hotel in Midtown Manhattan early Thursday morning and arraigned in federal court in Brooklyn on Thursday afternoon. In addition to the fraud charges, prosecutors also charged him with aggravated identity theft. He pleaded not guilty to all counts and was released after posting a \$1 million bond.

Mr. Watson's arrest came the same month as Samir Rao, 36, Ozy's former chief operating officer, and Suzee Han, 29, Ozy's former chief of staff, pleaded guilty to fraud charges, according to court documents.

Shortly after Mr. Watson's arrest and the guilty pleas, the Securities and Exchange Commission charged Ozy Media, Mr. Watson, Mr. Rao and Ms. Han with defrauding investors of about \$50

LVIV, UKRAINE — It was exactly a year ago, and the Ukrainian pet food maker Kormotech had concluded its annual meeting. The mood was buoyant. Business was booming, the factory was running 24/7, and sales were projected to grow by double digits. "We had a beautiful budget," Rostyslav Vovk, the company's chief executive and founder, recalled almost dreamily.

**By PATRICIA COHEN** 

The next morning, air sirens sounded.

Russia had invaded. Mr. Vovk called his top managers to meet at a nearby hotel, avoiding the company's windowed seventh-floor headquarters in Lviv. They had a plan for what had been considered a very unlikely risk — Russian aggression — but it soon proved wholly inadequate.

"We were not ready," Mr. Vovk said. He closed the plant. Raw materials couldn't get into the country, and deliveries headed abroad couldn't get out. Staff from the besieged eastern part of the country needed to be evacuated. Employees were joining the military. And the company's biggest export market, Belarus, was a close ally of Vladimir V. Putin, the Russian president.

"We would make decisions," Mr. CONTINUED ON PAGE B4



Sales are up for Kormotech, a Ukrainian pet food maker. While Russia's invasion was disruptive, nimble decision-making and good fortune turned the tide.

## Tech Leaders in Israel Consider Leaving

#### **By DAVID SEGAL**

TEL AVIV — For years, budding Israeli tech executives have asked Yanki Margalit, a veteran entrepreneur, where they should start their fledgling companies. For years, he's offered the same advice: Here, in Israel, where software engineers are plentiful, international investors are eager and friends and family live.

But as Mr. Margalit prepares a new venture of his own, one focused on combating climate change, he has reluctantly concluded that Israel is the wrong place to launch.

"Given the atmosphere now, it's almost irresponsible to start a company here," the 60-year-old

### Entrepreneurs eye exits ahead of a judicial overhaul.

said, "and that is heartbreaking."

The luminaries of Start-Up Nation, as Israel has been known for decades, are eyeing the exits. Several have already announced that they are relocating or moving money out of the country, including the chief executive of Papaya Group, a payroll company valued at more than \$1 billion.

The reason is that a right-wing government, led by Prime Min-

ister Benjamin Netanyahu, recently announced plans for a sweeping overhaul to the country's judiciary that many believe will end its 75-year run as an independent institution.

The proposed changes would severely curtail the court's capacity to strike down laws passed by the Knesset, the country's Parliament, and give the ruling coalition far greater say in who sits on the bench.

That has prompted so much civil unrest and mass protests that Israel's president, Isaac Herzog, stated in a televised speech last week that the country was "on the brink of constitutional and social CONTINUED ON PAGE B3



AVISHAG SHAAR-YASHUV FOR THE NEW YORK TIMES

Protests have erupted in Israel in recent weeks over plans by Prime Minister Benjamin Netanyahu's government to overhaul the judicial system. million. Mr. Rao and Ms. Han have settled the S.E.C. civil case against them.

Ozy and Mr. Watson have been under heavy scrutiny since September 2021, when The New York Times reported that someone at the start-up had apparently im-CONTINUED ON PAGE B6

## U.S. Funding Drives Rivals In Chip Wars

### By ANA SWANSON and DON CLARK

WASHINGTON — In early January, a New York public relations firm sent an email warning about what it characterized as a threat to the federal government's program to revitalize the U.S. semiconductor industry.

The message, received by The New York Times, accused Intel, the Silicon Valley chip titan, of angling to win subsidies under the CHIPS and Science Act for new factories in Ohio and Arizona that would sit empty. Intel had said in a recent earnings call that it would build out its facilities with the expensive machinery needed to make semiconductors when demand for its chips increased.

The question, the email said, was whether officials would give funding to companies that outfitted their factories from the jump "or if they will give the majority of CHIPS funding to companies like Intel."

The firm declined to name its client. But it has done work in the past for Advanced Micro Devices, Intel's longtime rival, which has raised similar concerns about whether federal funding should go to companies that plan to build empty shells. A spokesman for AMD said it had not reviewed the email or approved the public relations firm's efforts to lobby for or against any specific company receiving funding.

"We fully support the CHIPS and Science Act and the efforts of the Biden administration to boost domestic semiconductor research and manufacturing," the spokes-CONTINUED ON PAGE B6 **INTERNATIONAL | AIRLINES** 



"I invest in entrepreneurs, and if those entrepreneurs want to set up somewhere else, that's fine," said Adam Fisher of Bessemer Venture Partners.

## Tech Leaders in Israel Are Eyeing the Exits Ahead of an Overhaul

FROM FIRST BUSINESS PAGE collapse."

More quietly, people like Mr. Margalit are reappraising what it means to operate here and deciding that if the government retools the judiciary, it is time to leave.

"It's all about risk management and the risk is to the brand that is Israel," said Assaf Rappaport, the chief executive and co-founder of Wiz, a cloud security company worth \$6 billion. "It took a lot of time to build this brand, and today every company in the world can trust Israel as a partner in their cyberdefense. These reforms will put all that in question."

The office of Israel's minister of finance, Bezalel Smotrich, declined to comment. In a mid-February statement, he said claims that the reforms harmed democracy were part of a "scaremongering campaign."

While the judicial changes will

Losing top-level earners and the corporations they run would have a devastating impact in a country where 81 percent of tax revenue comes from just 20 percent of the population.

The new government, formed in late December, includes members of the ultra-Orthodox and ultranationalist political parties. Both rely heavily on government subsidies: the former because few of its members participate in the labor market, and the latter because it wants funds to sustain settlements in the West Bank.

Which is why Eran Yashiv, a professor of economics at Tel Aviv University, sees judicial reform as

a kind of resource grab. "It's a redistribution from the high-tech sector to religious and nationalist minorities," he said. "And it would turn Israel into an illiberal country."

"There's a huge amount of research in the last 25 years that shows that stability and the rule of law support better economic growth," Zvi Eckstein, a former deputy governor of the Bank of Israel, said in an interview. "As economists, we worry that reducing property rights of individuals and corporations will introduce uncertainty, and that a weaker judiciary will increase the likelihood of government corruption. Both of those two things will cause the economy to slow substantially." If Israel's democratic institutions are undermined, investors and executives contended, it will keep blue-chip customers and investors at bay. And if a company difficulty has attracting customers, it will have the same problem with talent.

sidiary in Israel because that makes it easier to appeal to investors and employees. Israeli tech executives who live in the United States often return when their children reach school age so they can acclimate to Israeli culture and serve in the military.

has backed more than 30 start-ups in the country. Money from Bessemer and other venture capital firms - 90 percent of all investment in Israeli tech comes from foreign sources — will simply follow the entrepreneurs.

"When Linvest in Israel

OFIR BERMAN FOR THE NEW YORK TIMES

Above, Yanki Margolit. Left, Tel Aviv. The atmosphere in Israel has persuded Mr. Margolit to launch his newest venture, focused on fighting climate change, elsewhere.

been on trial for bribery, fraud and breach-of-trust charges, which he has denied. His interest in revamping the court was deemed enough of a conflict that this month, the country's attorney general ordered him not to get involved with the effort. Mr. Netanyahu's office called the demand "unacceptable."

That a government led by Mr. Netanyahu would imperil Israel's tech miracle bewilders many because he has long been one of the sector's most vocal champions. But a flight of capital has already begun.

"From my clients I'm hearing concrete instructions to mobilize money out of Israel, to Switzerland or London," said Eran Goren, a co-founder of Fidelis Family Office, which manages the money of wealthy Israelis. "We work closely with private banking departments of big banks, and they say it's from every direction people are just pulling money out."

withering tech industry Α



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B3

affect all Israeli businesses, the tech sector's reaction is of greatest concern because it provides so much of the economy's horsepower

Some 54 percent of Israel's exports are high-tech products and services, according to the Israel Innovation Authority, a support arm of the government. Israelis have created more than 90 socalled unicorns — privately held companies valued at more than \$1 billion — including Wix.com, which offers cloud-based web services; the gaming company Moon Active; and the financial services company eToro.

In the Israeli parliamentary system, the administration usually controls the legislature, so gaining more sway over the courts would hand Mr. Netanyahu and his ministers influence over all three branches of government and far fewer checks on his powers

Early this month, a group of 56 American economists sent a letter to Mr. Netanyahu arguing that his government's judicial proposals "would adversely affect the Israeli economy by weakening the rule of law and thereby moving Israel in the direction of Hungary and Poland.'

Many Israeli-led companies, including Wiz, are already based in the United States and keep a sub-

"We used to talk about going back in 2024, and now it's like let's not talk about it, which is a big deal for us," said Nadav Weizmann, an entrepreneur who is launching his third company, Cardinal, a tool for product managers, in Austin, Texas. "For a start-up founder, it's now a lot harder to imagine moving back to Israel, because you don't know what it will look like."

If the government moves ahead with its judicial plans, the outflow of Israeli tech leaders will surge and the inflow will subside, said Adam Fisher, a co-founder of Bessemer Venture Partners, which

really investing in the Israeli economy; I'm not looking at the shekel or railroad infrastructure or G.D.P. growth," Mr. Fisher said. "I invest in entrepreneurs, and if those entrepreneurs want to set up somewhere else, that's fine."

Mr. Smotrich and other members of the coalition have said they are merely redressing an imbalance that gives the Supreme Court too much power.

In a Fox News interview this month, Mr. Netanyahu said, "We probably have the most activist judicial court on the planet."

Since 2020, Mr. Netanyahu has

would make Israel poorer, weaker and more religious, Mr. Yashiv said. That ought to worry anyone concerned about the stability of the Middle East, he added.

"Weaker states tend to be more aggressive, and a weaker Israel will be a more aggressive Israel," he said.

Few of Israel's tech leaders said they would depart happily. Even though it pained him, Mr. Margalit is weighing the pluses and minuses of cities like London, Paris and New York.

"If they pass this legislation," he said, "what are my options?"

when it lost a bidding war for Vir-

gin America to Alaska. If the Spirit

acquisition goes through, JetBlue

will retain its name, its New York

headquarters and Mr. Hayes in

command. Spirit's planes would

be converted to match JetBlue's in

appearance and seat configura-

Even if regulators allow the

deal, combining airlines can be

difficult, requiring integration of

computer systems, aircraft fleets,

company cultures and unions

with different workplace rules.

tion, adding legroom.

## Flight Attendant Unions Split on Proposed Merger Between JetBlue and Spirit

#### **By NIRAJ CHOKSHI**

Unions that represent workers at JetBlue Airways and Spirit Airlines are divided on the proposed merger of the two companies, with one union throwing its support behind the deal and another asking federal officials to block it.

In a letter on Thursday, the Transport Workers Union, which represents 6,800 JetBlue flight attendants, asked Attorney General Merrick B. Garland and Transportation Secretary Pete Buttigieg to prevent the merger. The union said it feared that Jet-Blue, which would acquire Spirit, had no intention of honoring worker contracts afterward, adding it was concerned that the deal would violate antitrust laws and undermine competition.

Two days earlier, the Association of Flight Attendants-C.W.A., which represents 5,600 flight attendants at Spirit, gave the deal its blessing. The union's leaders approved a tentative agreement with Spirit that includes higher wages and quality-of-life improvements, while also backing the merger. The union's rank-and-file members have yet to vote on that agreement

The Justice Department is expected to decide soon whether to sue to prevent the merger. Spirit shareholders approved the deal in October, and the two airlines have complied with the department's requests for additional information, most recently in December. As a result, Spirit's chief executive. Ted Christie, told investor analysts and reporters in early February that he expected a decision on the suit "in the next 30 days or SO.'

Under President Biden, the Jus-

tice Department has taken an aggressive approach to antitrust concerns, investigating the practices of large companies, suing to prevent big corporate mergers and even suing to prevent a partnership between JetBlue and American Airlines in Boston and New York.

The agency is expected to at least secure concessions from Spirit and JetBlue before the acquisition proceeds, if not sue to block it. JetBlue has offered to divest Spirit's assets in some markets, including Boston, New York and Fort Lauderdale, Fla. Opponents of the merger have also called on the Transportation Department to block the transfer of operating certificates between the two airlines.

In its letter on Thursday, John Samuelsen, the international president of the Transport Workers Union, urged the Justice and Transportation Departments "to take the necessary steps to prevent these airlines from combining until the leadership of the proposed carrier demonstrates their willingness to operate in good faith with their workers and the passengers."

The letter asserted that should the acquisition be carried out, Jet-Blue management "has the intent to not fully honor" union agreements in place with JetBlue and Spirit workers.

JetBlue and the union negotiated their first workplace contract more than a year ago, but the union said the airline had failed to adhere to the provisions, including new rules on scheduling flight attendants.

In a message to the airline's flight attendants on Thursday

night, JetBlue's chief executive, Robin Hayes, said the company was working closely with the Transport Workers Union to address concerns over the contract and the merger.

He also said that the airline planned to retain all of JetBlue's and Spirit's employee bases, where workers typically start and end their shifts, and that the airline's longstanding commitment to no furloughs "will continue to guide our decisions."

The Association of Flight Attendants-C.W.A., for its part, said it would support the merger after securing improvements and protections from management, include raises now and over the next

### The Justice Dept. will soon decide whether to try to block a deal.

two years, scheduling improvements for flight attendants and a promise from JetBlue to protect the seniority that workers at Spirit have earned.

"We agree with skeptics that consolidation has accrued extraordinary power to a few airlines," Sara Nelson, the union's president, said in a letter sent on Tuesday to top lawmakers in "However, this Washington. merger will help to correct that imbalance. The JetBlue-Spirit merger adds competition to the airline industry that creates more power for workers along with choice that benefits consumers."

In expectation that the merger will proceed. JetBlue has started making payments to Spirit's

shareholders, as agreed to under the deal. That includes \$272 million paid in the last three months of 2022, with another \$130 million in monthly payments planned for this year. If regulators thwart the deal, JetBlue has agreed to pay Spirit \$70 million and Spirit's shareholders \$400 million.

JetBlue's Mr. Hayes told investor analysts and reporters on a call last month that even if a suit was filed, his airline expected to close the transaction early next year, provided that an attempt to block the merger failed.

In the past, it has taken 12 to 18 months to integrate airlines after a merger closes. To hasten that process, Mr. Hayes said, JetBlue has started to plot out the decisions that it would need to make.

"There's a lot of wood to chop, but I couldn't be more pleased with the start that we've made," he said. "The partnership between the JetBlue and Spirit teams has just been excellent.

The Transport Workers Union, some progressive lawmakers and consumer groups have expressed concern that the merger would further concentrate power in a heavily consolidated industry. They also worry that the elimination of Spirit would remove a competitive force that had acted to lower fares in the markets where it flew, harming consumers and workers.

After the sale, JetBlue would gain a majority market share on more than a dozen routes where neither it nor Spirit previously dominated, according to a New York Times analysis of a year's worth of flight schedules from Cirium, an aviation data provider. Most of those routes start or end

in Florida, where each airline has a strong presence.

JetBlue and Spirit have argued the opposite, that the merger would help increase competition. Combined, the airlines would have about 10 percent of the U.S. airline market, still well behind the 15 percent share of United Airlines, the fourth-largest carrier. The next-largest airline, Alaska Airlines, has 6 percent.

The acquisition would help Jet-Blue quickly expand its network, a goal it has held since at least 2016,

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE Chapter 11 Case No. 23-10020 (MFW) MERICAN VIRTUAL CLOUD TECHNOLOGIES, INC., et al., Debtors.<sup>1</sup> intly Ad (Jointly Administered Related to D.I. 131

#### NOTICE OF ENTRY OF BAR DATE ORDER ESTABLISHING DEADLINES FOR FILING OF PROOFS OF CLAIM PLEASE TAKE NOTICE THAT:

On January 11, 2023 (the "<u>Petition Date</u>"), American Virtual Cloud Technologies, Inc., and certain of its affiliates, the debtors and debtors in possession in the above-captioned cases (collectively, the "<u>Debtors</u>"), filed voluntary petitions for relief under chapter 11 of the United States Bankrupty Code (the "<u>Bankrupty Code</u>") with the United States Bankrupty Court for the District of Delaware (the"<u>Bankrupty Court</u>").

On February 17, 2023, the Bankruptcy Court entered an order [D. 131] (the"<u>Bar Ďate Order</u>") establishing the fo<mark>ll</mark>owing deadlines (the"<u>Bar</u> <u>Dates</u>") for filing Proof of Claim Forms (as defined in the Bar Date Order) with Kroll Restructuring Administration LLC ("Kroll"), the Debtors' court appointed claims and noticing agent.

appointed daims and noticing agent. General Bar Date. Each person or entity (including, without limitation, each individual, partnership, joint venture, corporation, limited liability company, estate, and trust) holding or asserting a claim against the Debtors that arose (or is deemed to have arisen) on or pior to the Petition Date (including any claims arising under Bankrupty (Sode section 503(b)(9) for goods received by the Debtors in the ordinary course of business within 20 days of the Petition Date) must file a Proof of Claim Form so that it is *actually received* by Kroll on March 29, 2023 at 5:00 p.m.(Eastern Time).

Imitation, each interview, estate, and trust holding or asserting a daim for any rejection damages arising from the rejection of any unexpired lease or case must file a Proof of laim forms othait its actually received by Koll Kase must file a Proof of laim forms othait its actually received by Koll Kase must file a Proof of laim forms othait its actually received by Koll Kase must file a notice under procedures approved by this Court, Course and the anotice under procedures approved by this Court, Course and the last four figures and the last four figures and the last four figures and proved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by this Court, Course and the last four figures approved by the last four figures approved by this Court, Course and the last four figures approved by the last four figures a Cases must file a Proof of Claim Form so that it is *actually received* by Kroll on or before the later of (a) 30 days after the effective date of rejection of such Agreement as provided by an order of this Court, or pursuant to a notice under procedures approved by this Court, (b) any date set by another order of this Court, or (c) the General Bar Date or the Governmental Bar Date, whichever is applicable. Copies of the Bar Date Order and the Proof of Claim Form may be viewed and downloaded free of charge at Kroll's website (https://cases. ra.kroll.com/AVCT) and also may be obtained by written request to Kroll

at American Virtual Cloud Technologies, Inc. Claims Processing Center, c/o Kroll Restructuring Administration LLC, 850 3rd Avenue, Suite 412, Brooklyn,NY11232.

Brooklyn, NY 11232. All Proof of Qaim Forms must be filed with original signatures, be written in English, and be denominated in lawful currency of the United States. You should attach to your completed Proof of Claim Form copies of any documents on which the daim is based or an explanation as to why such documents are not available. Proof of Claim Forms must be delivered to Kroll, so that such forms are actually received by Kroll by the applicable Bar Date, at the following address in the manner indicated below: <u>If by First-Class Mail, Hand</u> <u>Delivery or Overnight Mail</u>: American Virtual Cloud Technologies, Inc., Claims Processing Center, *co* Kroll Restructuring Administration LLC, 850 3rd Avenue, Suite 412, Brooklyn, NY 11232. 11232.

Alternatively, claimants may submit a Proof of Claim electronically by completing the Proof of Claim Form that can be accessed at Kroll's website, https://cases.ra.kroll.com/AVCT/EPOC-Index. Proof of Claim Forms shall not be submitted by facsimile, telecopy, e-mail, or other electronic means (except for the Electronic Proof of Claim), and Proof of Claim Forms ibmitted by such means shall not be deemed timely filed.

With Koll Restructuring Administration LL ("Koll"), the Debtors court-general. Bar. Date. Each person or entity (induding, without limitation, each individual, partnership, joint venture, corporation, limited liability company, estate, and trust holding or asserting a claim to the Petition Date (induding and claim shall be able to sorth easily company, estate, and trust holding or asserting a claim of basiness within 20 days of the Petition Date) must file a Proof of Claim forms of that it is actually received by Knoll on March 29, 2023 at 5:00 p.m. (Easter Time).
Amy person or entity that is reported to file a Proof of Claim form in the form and manner specified in the Bar Date (i) may be forever barred, estopped, and enjoined from asserting such daim the Chapter 11 Cases; (ii) may not, with respect to such claim, be exceived by Knoll on or before July 10, 2023 at 5:00 p.m. (Easter Time).

Rejection Bar Date. Each person or entity (induding, without imitation, each individual, partnership, joint venture, corporation, limited ability company, estate, and trust) holding or asserting tability company, estate, and trust) holding or asserting tability company, estate, and trust) holding or asserting tability company, estate, and trust) holding or asserting a tability company, estate, and trust) holding or asserting a claim teleto to receive any payment or distributions under, any plan of receive any plan in the schedules on behafted of such holder. Questions concerning this Notice should be directed to Kroll at tability company, estate, and trust) holding or asserting a claim teleto to receive any accelled as a creditor Claim Shall be able to vote such anount, as any undisputed, noncontingent, and liquidated tability company, estate, and trust) holding or asserting a claim teleto to concerning this Notice should be directed to Kroll at such anount. The sched

of each Debtor's federal tax identification number, are: American Virtual Cloud Technologies, Inc. (2421), AVCtechnologies USA, Inc. (8886), and (andy Communications LLC (5853). The Debtors' corporate headquarters is 1720 Peachtree Road, Suite 629, Atlanta, Georgia 30309