

SEC Enforcement Case Summary Misleading SPAC Disclosures

On December 12, 2024, the SEC charged global financial services firm Cantor Fitzgerald, L.P. with causing two special purpose acquisition companies (**SPACs**) that it controlled to make misleading statements to investors ahead of their initial public offerings (**IPOs**). Cantor Fitzgerald agreed to pay a \$6.75 million civil penalty to settle the SEC's charges.

According to the SEC's Order, in 2020 and 2021, a team of Cantor Fitzgerald executives managed and controlled two SPACs - CF Finance Acquisition Corp. II ("**CFAC II**") and CF Acquisition Corp. V ("**CFAC V**") - which raised \$750 million from investors through IPOs ahead of the SPACs' eventual mergers with View, Inc. and Satellogic Inc., respectively. The SEC noted that Cantor has sponsored nine SPACs through subsidiaries, with the majority launching their IPOs over the seven months spanning August 2020 to February 2021. The firm had a small team consisting of Cantor executives as well as personnel employed by Cantor subsidiaries which controlled the actions of the Cantor SPACs, including conducting a centralized search for potential business combination targets, and engaging in substantive discussions with potential targets. When a Cantor SPAC reached an agreement to merge with a specific target, Cantor would often roll the ongoing discussions with one or more of the remaining targets over to another Cantor SPAC.

The SEC found that each of CFAC II and CFAC V stated in Forms S-1 and prospectuses filed with the SEC before the IPO that neither SPAC nor anyone acting on its behalf had initiated any substantive discussions with any business combination target, contacted any of the prospective target businesses considered by Cantor's prior SPACs, or approached any specific target business. However, the SEC noted that in each case, Cantor personnel, acting on behalf of the SPAC had already initiated discussions with the target companies and other potential targets regarding potential business combinations prior to the SEC filings, with discussions continuing prior to the IPO. Business combination proxy statements filed on behalf of each SPAC also included false statements regarding pre-IPO discussions.

Given that the purpose of a SPAC is to identify and acquire an operating business after conducting its IPO, the SEC noted that disclosures about substantive steps a SPAC has or has not taken in furtherance of a particular acquisition would be material to a reasonable SPAC investor, who would want to know about the SPAC's prospects with future acquisition targets. Disclosures made in a SPAC's IPO - including as it relates to substantive pre-IPO discussions or negotiations with future acquisition targets or concerning potential business combinations - need to be clear and accurate and cannot be materially false or misleading.

See Summary - <https://www.sec.gov/newsroom/press-releases/2024-199>