



July 14, 2021

**SEC Charges Space Transportation Company SPAC,
Sponsor, CEOs and Merger Target with Securities Fraud**

On July 13, 2021, the U.S. Securities and Exchange Commission ("SEC") announced that it had filed charges and a complaint in the U.S. District Court for the District of Columbia against Special Purpose Acquisition Company ("SPAC") Stable Road Acquisition Corp., its sponsor, its CEO, and its business combination (merger) target Space Transportation Company Momentus Inc., and Momentus' founder and former CEO Mikhail Kokorich. All parties except Kokorich are settling with the SEC, including penalties of over \$8 million, tailored future investor protections, and forfeiture of founders' shares.

According to the [SEC Press Release](#) and [Complaint against Kokorich](#), Stable Road, Momentus and their CEOs repeatedly and falsely told investors that Momentus' in-space propulsion system had been successfully tested when it had not, and, among other misrepresentations, downplayed the potential impact of U.S. national security concerns arising from Kokorich's involvement in the project and resulting difficulty in obtaining necessary U.S. licenses. SEC Chair Gary Gensler stated in the press release that the fact that Momentus had lied to Stable Road did not absolve the SPAC of its responsibility for transmitting those falsehoods to investors by failing its due diligence obligations to the SPAC shareholders.

The SEC action should be taken as notice that the SEC is scrutinizing the SPAC wave, and that the prevalence of SPACs, both in the space sector and others, should not be taken as a suspension of the securities disclosure laws and regulations or anti-fraud remedies, which the SEC intends to vigorously enforce. We have been urging our readers to keep in mind that SPACs, while legal and provided for in the securities regulations, are real initial public offerings ("IPOs"), in

many cases subject to stricter SEC scrutiny than a typical Regulation D or A private placement to only Accredited Investors. It's not the Wild West. See our "SPACs: An IPO and Private Equity Raising Capital Alternative: Deal Points." One of the main Deal Points stressed there, as in our "Raising Capital through Private Placements: Deal Points" is: "Don't Commit Fraud." Both client advisories are available for download at [Kurtin PLLC: Raising Capital](#).

For additional information, please contact us at info@kurtinlaw.com.

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