

Post-SPAC Technology Company Hit with Securities Class Action

Corporate Defense and Disputes Blog on **March 30, 2021**

Private companies with cutting-edge technology have become particularly attractive targets for special purpose acquisition companies (SPACs). These private companies may choose to go public via SPAC for a number of reasons that include the ability to share projections with investors, better valuation prospects and deal execution certainty. Much like companies that go public by way of a traditional IPO, however, companies that go public via SPAC can also become subject to Section 10(b) securities class actions. The risk for this type of company may be particularly acute given its high growth prospects or the volatility that may accompany its securities. An example of a company that went public via SPAC that was quickly confronted with this type of action is Velodyne.

[In 1983](#), David Hall founded Velodyne as a company known for producing specialized audio equipment. However, in 2006, he patented an invention known as a multi-beam spinning LiDAR sensor that would become the backbone of his company. LiDAR sensors use light to determine an object's distance in the same way sonar sensors use soundwaves. LiDAR is thought to be [key to the future of self-driving vehicles](#) and how these vehicles can navigate obstacles and environments in real time.

A SPAC called Graf Industrial Corp. successfully completed its merger with Velodyne Lidar on September 29, 2020. Between November 2020 and February 2021, Velodyne made numerous public statements and SEC filings regarding its financial health and the goings-on of its Board.

However, on February 22, 2021, Velodyne [announced](#) David Hall had been removed from his position as Chairman and his wife Marta Hall was removed from her role as Chief Marketing Officer following an Audit Committee investigation. The company disclosed the investigation concluded "Mr. Hall and Ms. Hall each behaved inappropriately with regard to Board and Company processes, and failed to operate with respect, honesty, integrity, and candor in their dealings with Company officers and directors."

Shortly thereafter, on March 2, 2020, a sole plaintiff [filed a purported class action](#) in the United States District Court for the Northern District of California against Velodyne Lidar, as well as two officers who served during the class period. In his complaint, the plaintiff alleges defendants made materially false or misleading statements regarding Velodyne’s directors and the existence of the internal investigation during the class period (November 2020 to February 2021). Among these alleged misstatements is the company’s February 18, 2021 announcement that a director linked with the SPAC vehicle resigned and that his “decision to resign was not a result of any disagreement with the Company.” Notably, the complaint does not include any allegations relating to Velodyne’s merger with Graf Industrial.

Velodyne has not yet filed its response to the complaint, and the Court has not made any statements about class certification. We will continue to monitor this case and actions facing de-SPAC public companies.

[View Original](#)

[Related Professionals](#)

- **Corey I. Rogoff**
Associate