

NEWS AND ANALYSIS

What's Going on With Trump's SPAC?

The extensive China connections in Donald Trump's latest deal do not break any laws, but they are surprising.

BY KATRINA NORTROP — NOVEMBER 7, 2021



Credit: [Flickr](#)

When Donald Trump was president, he [signed](#) a bill into law that could eventually delist Chinese stocks from U.S. exchanges if they fail to comply with American accounting standards. “The time has come to take firm action... to put an end to the practice that has tacitly permitted companies with significant Chinese operations to flout protections United States law requires,” he [wrote](#) at the time.

Less than a year out of office, Trump reached an [agreement](#) to bring his own new media company to the public markets via a trendy corporate maneuver that sidesteps regulatory oversight. To do so, he has teamed up with a China-based firm that has landed in hot water with American regulators over its moves to list companies linked to China on U.S. exchanges.

At the center of this flurry of China-related listings — some more successful than others — lies [ARC Capital](#), a mid-market, Shanghai-based investment bank, which specializes in bringing Chinese companies to U.S. exchanges. ARC was the main financial advisor when a special purpose acquisition company (SPAC) called Digital World Acquisition went public in September.

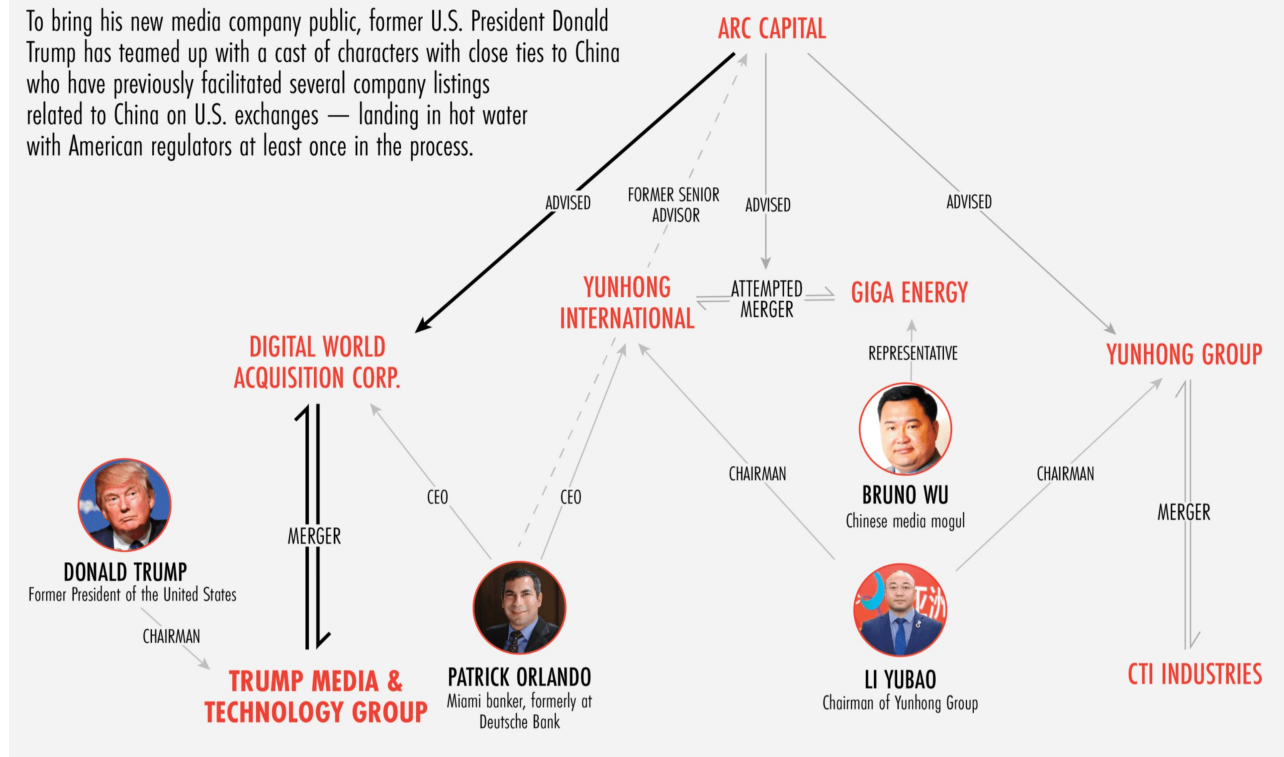
Such SPACs — often known as blank-check companies — are set up as shell companies and listed on stock exchanges, drawing money from investors on the promise of later merging with a company with real activities. More than \$140 billion has poured into 500 SPACs globally so far this year, according to [data](#) from SPACinsider.

Few, though, have garnered as much attention as [Digital World](#), which raised nearly \$300 million at its listing. Last month it agreed to merge with Trump Media and Technology Group, a company incorporated in February which describes itself as a “uniting force for freedom of expression,” and whose aim is to rival social media networks like Twitter that

have permanently suspended the former president. After the deal was announced, Digital World's stock surged by [580 percent](#) in October.¹

The Trump SPAC Team

To bring his new media company public, former U.S. President Donald Trump has teamed up with a cast of characters with close ties to China who have previously facilitated several company listings related to China on U.S. exchanges — landing in hot water with American regulators at least once in the process.



Data: Corporate records, court records, media reports. Design by Eliot Chen

ARC was founded in 2015 with the help of Abraham Cinta, a Mexico-born banker who lives in Shanghai and is now the company's CEO. According to a conference speaker's [biography](#), Cinta previously worked at the Mexican Ministry of Welfare and has helped 12 companies list on U.S. exchanges.

When Cinta, along with three other managing partners at ARC Capital, sought to bring three companies with clear links to China public in the U.S. in 2017, the SEC issued a rare "[stop order](#)," which prohibited the listings from going forward. According to SEC filings, Cinta and his associates — who were also serving in management positions at the companies involved — misrepresented their connections, failed to disclose that they lived in China, and refused to cooperate with regulators. The SEC has issued only five stop orders since the ARC Capital case four years ago.

Another link with ARC comes through Digital World Acquisition's chief executive, Patrick Orlando, a Miami banker who previously worked at Deutsche Bank, as well as a Florida-based sugar company, according to SEC filings. Orlando worked as a senior advisor for ARC Capital at least until last year, according to a recently deleted company [presentation](#) from 2020.

It's unclear exactly how Orlando initially connected with Trump, but according to a [report](#) in *The New York Times*, he enjoys a personal relationship with the former president. Digital World Acquisition and multiple ARC Capital executives did not respond to *The Wire's* request for comment. Orlando, reached by phone, said that he would not comment at this time.

Digital World's boss Orlando is involved in three other SPACs, two of which were advised by ARC Capital, and one of which was merging with a company advised by ARC. He is

chief executive of [Yunhong International](#), a Wuhan-based blank check company that raised \$69 million when it listed on Nasdaq in February, and later attempted to [merge](#) with a Chinese green energy company called Giga Energy (since rebranded as Giga Carbon Neutrality) in a deal worth \$7 billion.

Giga Energy, according to [corporate records](#) reviewed by *The Wire*, is controlled by [Bruno Wu](#), a Chinese media mogul, providing another link with former President Trump's close circle. Wu, who has [registered](#) as a foreign agent in the U.S., came to public attention in the U.S. in 2018 in connection with a [defamation case](#) brought by exiled Chinese billionaire Guo Wengui against longtime Trump adviser Roger Stone. Stone, who settled the defamation case, said in a statement he had relied on Sam Nunberg, another Trump adviser and an investor in Giga Energy, for information about Guo, and that Nunberg's source in turn was likely Bruno Wu.

The Yunhong-Giga Energy deal [fell through](#) in September for unclear reasons, leaving Yunhong International still looking for a merger target. Lawyers for Yunhong told *The Wire* it would not be appropriate to comment as the company is "still actively looking for a business combination."

The omnipresent ARC Capital advised on another deal involving Yunhong's chairman Li Yubao which has since proved controversial. Last year another of Li's companies, the similarly-named Yunhong Group, [merged](#) with Illinois-based CTI Industries, a Nasdaq-listed purveyor of balloon products.

“ Given Trump's hardline with China, the fact that there is some Chinese involvement with Orlando and other parties here is a bit ironic. ”

— *Jay Ritter, a finance professor at the University of Florida*

The newly-merged Yunhong CTI is now in a [legal battle](#) with EF Hutton, a once-storied Wall Street brokerage whose name was revived this summer when the investment bank formerly known as Kingswood Capital Markets underwent a [rebranding](#). Yunhong CTI alleges that ARC Capital's CEO Cinta had recommended EF Hutton should serve as CTT's investment banker, without disclosing that he had an ownership stake in the firm until after the agreement. The suit states that the failure to "disclose this conflict of interest was a material misrepresentation and/or omission of fact." Repeated calls to Yunhong CTI's Illinois office went unanswered, but a representative for EF Hutton told *The Wire* that Cinta has no ownership stake in the company.

Adding further to the web of connections, EF Hutton is the main adviser on this fall's merger of Digital World with Trump Media and Technology Group.

Even after this swirl of dealmaking, ARC Capital is courting further controversy with its involvement with Trump's new company. According to a recent [report](#) in *The New York Times*, Digital World's CEO Orlando and Trump began discussing a tie up with the Trump Media and Technology Group before Digital World Acquisition went public. SPACs are not supposed to have a merger target before listing.

The extensive China connections in Trump's deal do not break any laws, but they are perhaps surprising for a president who was so outspoken against Chinese investment, called the Covid-19 virus "kung flu," and criticized Hunter Biden, President Biden's son, for his business dealings in China.

“Given Trump’s hardline with China,” says [Jay Ritter](#), a finance professor at the University of Florida who is an expert on IPOs, “the fact that there is some Chinese involvement with Orlando and other parties here is a bit ironic.”



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● COVER STORY



Pole Position

BY EYCK FREYMAN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China’s academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

● THE BIG PICTURE



Transsion's Triumph

BY GARRETT O'BRIEN

A look at Transsion’s monumental growth, unique marketing strategies and future growth potential.

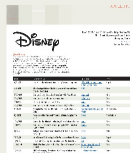
● Q & A



Jörg Wuttke on China's Self-Destruction

BY ANDREW PEOPLE

The EU Chamber of Commerce in China president talks about China’s self-inflicted problems; how he gets away with being so outspoken; and why he believes in China’s comeback gene.



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