

Defense Trade Controls

Case Study 11/11/11

Mergers and Acquisitions

A small, privately-held manufacturer who supplied defense articles to the U.S. Government and several Primes was in the process of being acquired by a publicly-held organization. The small firm was currently registered with the DDTC for a number of years, however the publicly-held company was not registered.

As the transaction proceeded, several of the senior officers were heavily involved performing the needed due diligence, however all talks remained secret within both organizations.

Due to the secrecy, the Empowered Official was never informed of the pending transaction. Upon completion of the transaction, the Empowered Official was instantly released due to an immediate reorganization. No one remained in the new organization who understood the requirement for notifying the DDTC of the change in ownership and company officers of the registered organization.

This is a case where documented procedures assuring compliance to the regulation would have prevented this violation.