

MASSACHUSETTS EXPORT CENTER
EXPORT EXPO

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Global Trade Compliance Due Diligence
for Mergers, Acquisitions & Cross-Border
Investment

Workshop Scenario

Phase I

Initial Background and Acquisition Structure

- **Mass. Optics, Inc.** is a Massachusetts optical lens manufacturer that has manufactured lenses for both the dual use and defense markets for many years. It exports, primarily dual-use items to Europe, and sells its ITAR-controlled products only to the domestic market.
 - Product lines are diverse, and include:
 - Lenses
 - Prisms
 - Test Plates
 - Beam Splitters
 - Laser Optics
 - Optical Systems
 - Wind Tunnel Optics
 - Custom Optics
- Mass. Optics has an in-house compliance officer who covers export controls, ITAR, and other regulatory certifications, and they rely on outside counsel (Gwen) as needed.
- Mass. Optics has recently signed an LOI to acquire a small Rhode Island firm, **Providence Lasers**, which produces laser optics for both the commercial, off the shelf, and government contracting markets.
- Providence Lasers has not engaged in a formal classification review of its product line, and has never exported any items other than commercial off the shelf items. It has one European, and one Asian, sales rep.
- Providence Lasers has taken the conservative view that some of the items it produces for government procurement purposes (as a supplier to defense contractors) may be governed by ITAR, and accordingly has filed with DDTC as a defense articles manufacturer as a precaution.

Phase II

Foreign Investment

- **Mass. Optics** is privately held, by U.S. persons. It has been a family business with a few outside shareholders. However, in order to fund the acquisition of Providence Laser, it has been in talks with outside investors to fund a preferred share financing round. Interest has primarily been from Europe and from China. The lead investor for the round will be **Opto GmbH**, a German diversified optics manufacturer with interest in the U.S. market.
- Opto has hired outside counsel (Alexandra) to advise them in the financing round and the related diligence.
 - Opto does not currently have any subsidiaries or affiliates in the U.S., and has not engaged with the ITAR regime previously.
 - Opto is owned by several shareholders, some of which are German pension funds.
- The financing round is currently slated to close in late January.

Phase III

Post-Closing

For discussion:

What items need to be addressed post-closing? What are best practices for integration?

Presenters



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