



DOJ Declines Prosecution of PE Firm – Lessons for International Trade Violations and Beyond

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In a significant decision announced this week, the Department of Justice (DOJ) declined to prosecute a private equity (PE) firm after the firm voluntarily disclosed sanctions and export control violations committed by a portfolio company the firm acquired. This result, and the government's joint enforcement actions against the portfolio company and its former CEO, offer several important takeaways:

- It is critical for PE firms to conduct robust, non-siloed due diligence for trade and other compliance both before and after acquisition.
- Sanctions and export controls enforcement remains a key government focus, as evidenced by the extensive behind-the-scenes coordination between Justice, Treasury, Commerce, and Homeland Security.
- It is not uncommon for private equity firms to acquire a company and then discover hidden problems. Firms that promptly investigate, self-report, cooperate, and remediate can avoid criminal prosecution, even for serious violations.
- The government continues to hold individuals personally responsible for violations of sanctions and export controls regulations.

BACKGROUND

In 2020, the private equity firm White Deer Management LLC (White Deer) acquired Unicat Catalyst Technologies (Unicat). After closing, White Deer's management discovered that Unicat had a hidden history of illegal sales to sanctioned countries, including Iran and Venezuela, dating back several years. Unicat's former CEO and other employees made dozens of illegal sales to customers in those countries and falsified export documents, generating several million dollars in revenue. Unicat also undervalued imports from China, thus evading \$1.66M in tariffs. During the acquisition, Unicat's then-owners falsely warranted that the company was in compliance with U.S. sanctions and export controls law.

When White Deer discovered this wrongdoing in 2021, the company promptly began an internal investigation. Within about a month of confirming likely violations—and before the investigation was completed—White Deer voluntarily disclosed the conduct to DOJ.

DOJ DECLINATION AND ENFORCEMENT ACTIONS

On June 16, 2025, DOJ's National Security Division and the U.S. Attorney's Office for the Southern District of Texas announced that they had declined to prosecute White Deer and its affiliates. Instead, the government entered into a non-prosecution agreement with Unicat, which agreed to pay a monetary settlement of \$3.8M with no other criminal penalty. Further, Unicat's former CEO pleaded guilty to conspiring to violate certain U.S. sanction laws and concealing anti-money laundering (AML) activities, all of which also led to a monetary judgment. Administrative penalties and restitution were also made by Unicat to the Office of Foreign Assets Control (OFAC), the Bureau of Industry and Science ("BIS"), and U.S. Customs and Border Protection (CBP).

GUIDANCE FOR PE FIRMS AND OTHERS

This settlement marked the first instance since the creation of DOJ's Mergers and Acquisitions Policy in March 2024 that DOJ declined prosecution for an acquiring company based on self-disclosure. This resolution offers several practical lessons for firms to mitigate risk:

- **Pre-acquisition diligence:** Before acquiring or investing in a company, firms should conduct thorough diligence focused on sanctions and export controls compliance. Review the target's customers and businesses in high-risk regions, screen counterparties for sanctions exposure, and evaluate export licenses and classifications. Engage specialized sanctions and export controls counsel for high-risk deals.
- **Compliance Reps and Warranties:** Insist on detailed representations and warranties from the seller about compliance with sanctions, export controls, and other trade regulations. Couple those reps with consequences for violations that come to light after closing.
- **Self-disclosure, cooperation, and remediation:** When a potential criminal violation is identified, engage outside counsel to conduct an investigation and advise whether to disclose it to the government. Under DOJ's safe harbor policy, acquiring companies that report misconduct within six months of acquisition and reasonably promptly after discovering it can avoid prosecution. If a company makes a disclosure to DOJ, it should be prepared to fully cooperate and remediate.

PE firms that follow this path can significantly reduce their risk of buying damaged goods, and can minimize their exposure when deals go bad.

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