U.S. Department *of* Defense

Office *of* Strategic Capital

The United States is in a global competition to be the world's leader in emerging critical technologies.

BIOTECHNOLOGY

QUANTUM SCIENCE

FUTURE GENERATION WIRELESS TECHNOLOGY

ADVANCED MATERIALS

TRUSTED AI + AUTONOMY

INTEGRATED NETWORKS

MICROELECTRONICS

SPACE TECHNOLOGY

RENEWABLE ENERGY GENERATION + STORAGE

ADVANCED COMPUTING + SOFTWARE

HUMAN - MACHINE INTERFACES

DIRECTED ENERGY

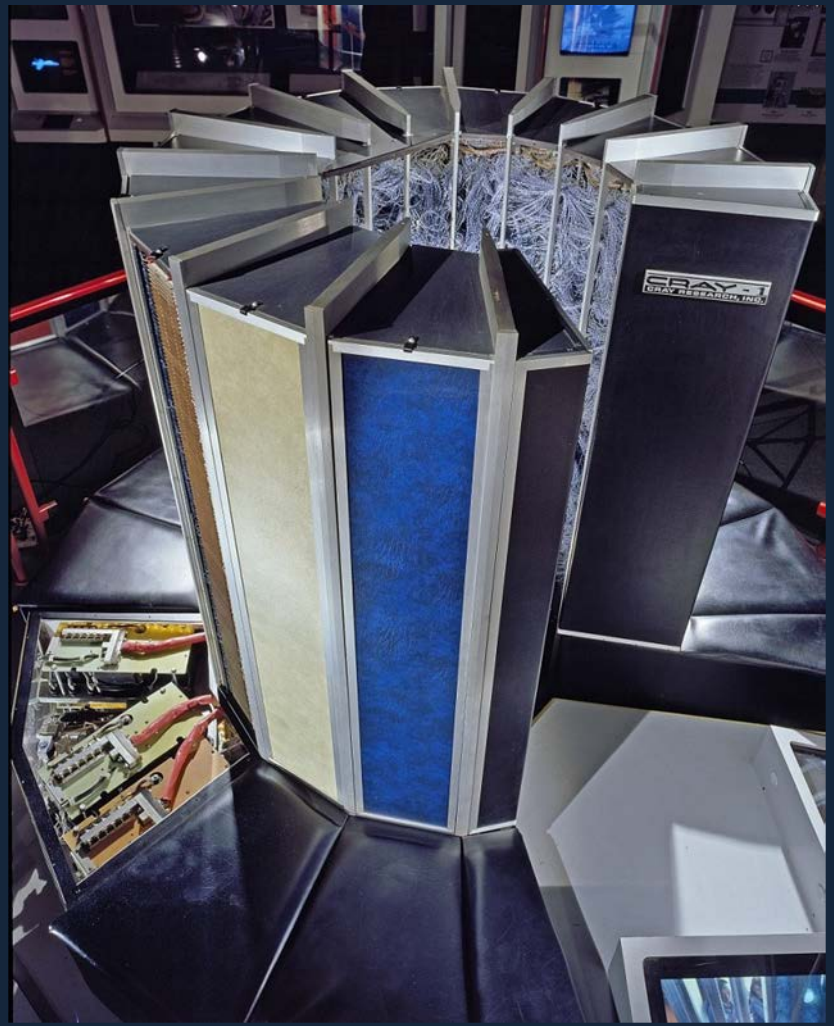
HYPERSONICS

INTEGRATED SENSING + CYBER

Credit: NASA.gov

Winning this competition is vital to national security and economic prosperity.

Credit: NASA.gov



Cray-1 Supercomputer

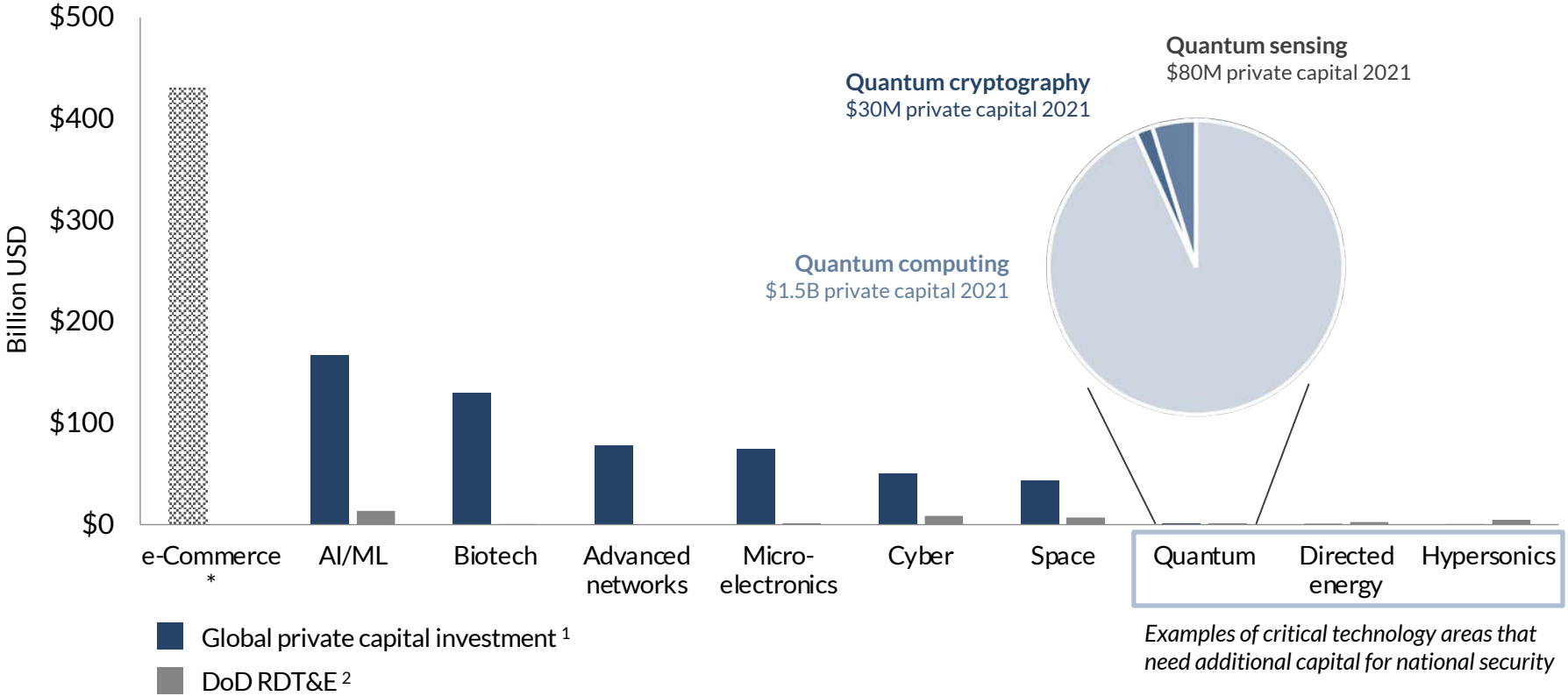
Image source: Smithsonian Institution public use

Private capital is the dominant funding source for technologies

Stage	Science	Early-stage	Growth stage
Financial tools	***Gov grants or contracts*** ***for R&D***	***Syndicates of investors*** ***for product development*** often funded venture capital firms	***Leverage*** ***for scaled production*** often funded by private equity firms and banks
U.S. Government	**$171 B** [3]		
U.S. Private Capital		**$257 B** [1] *45% of global*	**$1.1 T** [2] *49% of global*
Total Global Private Capital		**$560 B** [1]	**$2.2 T** [2]

1 Data from Pitchbook, 2023. Includes CY 2022 private capital transactions for startup funding, including angel, seed, early stage VC, and later stage VC.
2 Data from Pitchbook, 2023. Includes CY 2022 private capital transactions growth stage funding, including expansions, leveraged buyouts, secondary buyouts, management buyouts, and public to private deals.
3 FY2022 President's Budget Request. *Federal Research and Development (R&D) Funding: FY2022*, Congressional Research Service (January 2022).

Global investment in sample critical technologies



* E-Commerce is provided as an example of private capital spending in a non-critical, non-defense related sector.

1 Data from Pitchbook, 2022. Totals for 2020 for comparability with RDT&E data. Includes all private capital transactions, including venture capital, private equity, mergers and acquisitions, and initial public offerings globally.

2 DoD General Ledger accounting of DoD-wide obligations of FY2020 appropriated RDT&E funds. Does not include Procurementand other Congressionally appropriated funds.

Jake Sullivan
National Security Advisor

"We are ***investing in industries of the future*** and strengthening the resilience and security of the supply chains that underpin them. …

"With each of these investments, ***our goal is to 'crowd in' private capital, not replace it, and to attract 'patient capital'*** to bring critical technologies to scale." [1]

1 The White House, 16 September 2022. *Remarks by National Security Advisor Jake Sullivan at the Special Competitive Studies Project Global Emerging Technologies Summit*.

Brian Deese

National Economic Council Director

"Our modern American industrial strategy reflects a ***commitment to make bold investments in key areas*** that everyone, from academics to business leaders alike, agrees are foundational to economic growth. These investments help ***accelerate and shape breakneck innovation, and they encourage private investment and market competition***." [1]

1 The White House, 13 October 2022. *Remarks on Executing a Modern American Industrial Strategy by NEC Director Brian Deese*.

The Secretary of Defense established the Office of Strategic Capital.

Attract private capital to national security priorities

Scale private investment into critical technologies

Credit: Defense.gov

OSC uses Syndication and Leverage as partnered capital strategies

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OSC PARTNERED CAPITAL STRATEGIES

SYNDICATION – *Shared risk, multiply funds*

- Use public funds to match private funds for larger early-stage investments in critical technologies.
- The purpose is to partner with private capital providers to fund transition from prototype to initial product development.

LEVERAGE – *Patient capital, taxpayer repayment*

- Use public funds to extend loans or loan guarantees to scale production for critical technologies.
- The purpose is to efficiently (low cost to taxpayers) protect, capitalize, and scale critical technology companies through loans and loan guarantees.

Morris Chang, founder of the Taiwan Semiconductor Manufacturing Company

Image source: Nikkei Asia

First OSC Program Activity: The SBIC Critical Technologies Initiative

1 Licensed SBICs raise capital from private investors as limited partners…

2 and receive $2 of government guaranteed debt for every one $1 of private capital.

3 SBICs are able to invest levered-equity capital into companies…

4 reducing the portfolio's cost of capital and increasing returns to investors.

What's Next?

- Open the Critical Technologies Initiative for applications
- Develop and publish the OSC Investment Strategy
- Launch new financial tools that support different stages of growth
- Invest!

Thank you.