



RESEARCH
AND ENGINEERING

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3030

15 DEC 2022

MEMORANDUM FOR THE DEFENSE INNOVATION BOARD

SUBJECT: Terms of Reference – Strategic Investment Capital

The United States' national and economic security are underpinned by technological advantage. Today, the private sector represents the significant majority of U.S. technology research and development (R&D) investment. As stated in the U.S. National Security Strategy, "our private sector and open markets have been, and continue to be, a vital source of our national strength and a key driver of innovation." The Department of Defense's (DoD) ability to build enduring technological advantage is predicated on collaboration with the private sector and the open markets.

To maintain technological advantage, the DoD must complement the innovative power of the private sector with an approach that makes strategic public investments in critical emerging technologies, such as microelectronics, advanced computing, biotechnologies, clean energy technologies, and advanced telecommunications. The DoD needs to help create conditions to stimulate and "crowd in" private capital to align and scale public and private investments in support of national and economic security. The Department must therefore think more holistically about ways to signal and complement the innovative power of the private sector and our nation's dynamic economy to ensure our military remains unmatched.

It is important for the Department to evaluate and understand the role of private capital markets in the national security innovation ecosystem. The DoD has launched several initiatives to incentivize and increase access to, and procure capabilities from, non-traditional, privately-backed companies; additional efforts are needed to deliver a strategic and coherent public-private approach to crowd-in private capital and scale capabilities. With Secretary Austin's recently established Office of Strategic Capital, the Department seeks strategic insights and recommendations across a range of issues from the Defense Innovation Board to ensure a holistic and scalable approach.

I am therefore establishing the Task Force on Strategic Investment Capital ("the Task Force") on the Defense Innovation Board (the Board) to provide advice and recommendations on the following:

- Overview the intersection of Department funding and private capital in critical/emerging technologies. The assessment should consider:
 - Current and previous U.S. government and Department efforts to mobilize the full range of private capital providers spanning those who invest in early-stage development and those who invest in scale-up for production.
 - Analysis of government partnership efforts that were successful and could be expanded or modified, or new efforts that should be considered.

- Analysis of critical technology areas that need additional private capital to enable effective long-term U.S. competitiveness, specifically addressing early-stage development through scale-up production for critical supply chain technologies.
- Evaluation of financing options for critical technology companies at different development phases.
- Recommendations on how the Department could employ debt or equity programs to be additive to private investment, and how those might differ by critical technology areas and supply chains – be that upstream component-level technologies within systems or downstream systems that the Department procures.
- Address any other related matters the Task Force determines relevant to this task.

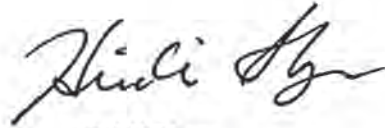
I direct the Task Force to submit its independent assessment and recommendations to the full Board for its thorough consideration and deliberation at a properly noticed public meeting, unless it must be closed to the public pursuant to one or more Government in the Sunshine Act exemptions. The Board shall submit its findings and recommendations to the Secretary of Defense in 180 days of task force member appointments.

In support of this Terms of Reference (ToR) and the work conducted in response to it, the Board and the Subcommittee have my full support to meet with Department leaders. The Board staff, on behalf of the Board and the Subcommittee, may request the Office of the Secretary of Defense and DoD Component Heads to timely furnish any requested information, assistance, or access to personnel to the Board or the Subcommittee. All requests shall be consistent with applicable laws; applicable security classifications; DoD Instruction 5105.04, "Department of Defense Federal Advisory Committee Management Program," dated August 6, 2007; and this ToR. As special government employee members of a DoD federal advisory committee, the Board and the Subcommittee members will not be given any access to DoD networks, to include DoD email systems.

Once material is provided to the Board and the Subcommittee, it becomes a permanent part of the Board's records. All data/information provided is subject to public inspection unless the originating Component office properly marks the data/information with the appropriate classification and Freedom of Information Act exemption categories before the data/information is released to the Board. The Board has physical storage capability and electronic storage and communications capability on both the unclassified and classified networks to support receipt of material up to the Secret level.

The Board and the Subcommittee will operate in conformity with and pursuant to the Board's charter, the Federal Advisory Committee Act, the Government in the Sunshine Act, and other applicable Federal statutes and regulations. The Subcommittee and individual Board members do not have the authority to make decisions or provide recommendations on behalf of the Board nor report directly to any Federal representative. The members of the Subcommittee and the Boards are subject to certain Federal ethics laws, including 18 U.S. Code § 208, governing conflicts of interest, and the Standards of Ethical Conduct regulations in 5 C.F.R., Part 2635.

Thank you in advance for your cooperation and support of this critical undertaking.

A handwritten signature in black ink, appearing to read "Heidi Shyu". The signature is fluid and cursive, with a prominent loop at the end of the last name.

Heidi Shyu

cc:

Senior Pentagon Leadership
Directors of Defense Agencies
Directors of DoD Field Activities