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OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3015

RESEARCH
AND ENGINEERING

April 1, 2020

Mr. Joseph Shepard
Associate Administrator
Office of Investment and Innovation
U.S. Small Business Administration
409 3rd Street SW, Suite 6300
Washington, DC 20416

Mr. John Williams
Director of Innovation and Technology
Office of Innovation and Technology
Office of Investment and Innovation
U.S. Small Business Administration
409 3rd Street SW, Suite 6300
Washington, DC 20416

Dear Joe and John,

I'm writing to you from the Defense Innovation Unit, an office within the Under Secretary of Defense for Research and Engineering at the Department of Defense (DoD). With our offices in Silicon Valley, Boston, Austin, and the National Capital Region, our mission is to accelerate the adoption of commercial technology to the military. As such, we primarily interact with non-traditional suppliers to DoD backed by venture capitalists.

As you can imagine, COVID-19 has put these companies under intense pressure. Many of these startups are either furloughing workers, laying off workers, or facing a potential shut down. Of the five technology areas where DoD has interest – commercial space, AI, cyber, autonomy, and human systems – we are seeing the most acute financial pressure affect commercial space companies, but we expect that financial pressures will soon develop in each of these areas.

We are following implementation of the CARES Act and would like to understand if these mission-essential, non-traditional technology companies can access federal funding in the form of loans, equity, or grants. As I'm sure you are aware, there is discussion about whether the SBA definition of a small business would preclude companies that are backed by venture capital or private equity from financial assistance. I understand that the National Venture Capital Association and Tech Net have already reached out and we would like to add our strong support

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for a more inclusive definition of small business. We feel strongly that without U.S. government aid, Chinese and Russian investors can more easily gain ownership stakes in these companies. These tactics used by our adversaries will accelerate the transfer of critical U.S. technology with national security applications and we must do whatever we can to prevent it. Failure to stem the tide of layoffs or stop U.S. adversaries from accessing leading-edge technology at startups could cost us years of progress and, ultimately, make the country weaker.

We hope you will strongly consider including venture-backed companies in the definition of small business. If helpful, we would be happy to provide more details on how China and Russia are working to take advantage of this situation.

Thanks, in advance, for your consideration.

Sincerely,



Michael Brown
Director, Defense Innovation Unit

Cc: Dr. Michael Griffin, Undersecretary of Defense for Research & Engineering

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