



**Private Capital Investor Cohort (PCIC) Assessment Event (AE)
05 September 2024 Q&A Telecon Transcript**

1. Is SOFWERX interested in creating new funds/capabilities (however creatively that may occur) to satisfy this requirement?

SOFWERX is a neutral nonprofit. Creating funds is not within the charter, in terms of how SOFWERX supports SOCOM. Therefore, at this time, SOFWERX will not be creating new funds. SOFWERX will work with SOCOM to determine the path forward based on the outcome of this event.

2. We are an operating company with investment in our own technology, not external portfolio companies, for DoD customers. Is submission to this cohort of value?

The Government aren't targeting operating companies or technology companies for this. They are targeting investors with available funds to invest.

3. The event timeline indicates that there is interest in proposals projects. Please clarify whether solution providers should attend, not just investors.

This effort is focused on investors, not technology companies.

4. How many companies currently under contract with SOCOM are VC-backed today? Does SOCOM track that today? Should it?

Yes, SOCOM absolutely should track that. They are in the process, separately from this initiative, of generating that data. We'd speculate it is a single-digit percentage, but there isn't yet hard data to support that.

5. Has SOCOM talked with accelerators (e.g. Mass Challenge, DCode, YCombinator, etc.) to gauge interest in participation?

SOCOM has spoken to several accelerators. Not exactly the focus of this program, but yes, SOCOM has spoken to them.

6. What qualifications are needed for a small veteran-owned company to join the investor cohort and partnerships between cohort participants and Prime contractors?

If the question is referring to the veteran-owned status of the company, that would be the same qualifications as any other company applying to join the cohort, and that would be based on the announcement / assessment criteria. There are no veteran preferences in this application process.

7. What specific technology areas or capability gaps within USSOCOM are you most focused on for this cohort?

For the purposes of the pilot here, the main sort of the composition of the companies the stakeholders have are autonomous systems, communications, radio frequency hardware, data analytics, and enterprise SaaS,. So those are the focus areas for the companies in the cohort at the moment. But it's possible that the stakeholders will admit additional companies depending on available budget and time.





8. Are there any emerging defense technologies or operational challenges that USSOCOM believes will be critical in the next 2-3 years?

Yes, absolutely. While participating in this cohort, companies will be exposed to the material developers and operators that are thinking about these challenges. One of the great benefits of participating in this program will be hearing from them firsthand and being able to have a dialogue with them. To learn more about the operational capability gaps, companies will need to apply and be selected by the stakeholder team.

9. What are USSOCOM's expectations from the Private Capital Investor Cohort in terms of accelerating technology development for SOF?

Investors in the cohort will be expected to provide objective and useful business advice and mentorship to these companies about their best path to scale. Companies may think that they are investable, they may not, but they may objectively be better served by taking on debt instruments or growing bootstrapped year over year. Helping companies reflect on their business is a super important part of what the investors will do. Investors are not expected to invest in these companies if it doesn't make sense for the investor. The key focus here is on mentorship.

10. Can you provide examples of past investments or collaborations that have led to successful capability advancements for SOF?

No..

11. Beyond capital, what other types of support are you expecting from the cohort members (e.g., mentorship, industry connections, strategic guidance)?

The Government Stakeholders emphasize that they cannot, should not, and will not create pressure or coercion to get the cohort members to invest in the SOCOM companies. That's not the government's role. The Government is not asking investors to make bad business decisions or invest money. What they're asking investors for is mentorship, strategic guidance, the same way that investors would provide guidance and mentorship to a CEO in one of their portfolio companies or a board that they sit on. If, separate from their relationship with the government, an investor sees promise and merit in those companies and they want to meet with them outside of the purview of this program, the Government doesn't intend to stand in the way of that. The constraints will be further defined, but that is the general intent.

12. How will USSOCOM measure success for cohort members in terms of engagement and outcomes?

An assessment plan for the pilot has been established with several measures of effectiveness and measures of performance. On the measures of performance side, that will mean attendance, engagement in the events, mentorship activities. On the measures of effectiveness side, some of this will be measured through survey instruments. Program executive officers, participating companies, and investors will all be surveyed. The surveys will assess the extent to which participants are deriving value from their involvement. Of course, this will be subjective and won't supply a complete picture. Over the long term, empirical metrics will be tracked to





include the success of those companies getting follow on contracts within SOCOM and outside of SOCOM, as well as their ability to fundraise over the longer term. The intent is to decide on the utility of the pilot program at or near the end of it, rather than waiting for a longer period of time to gather more robust data. So that's why the survey instruments will be important to get a sort of first look at measures of effectiveness.

13. Could you clarify the expected frequency of engagements and the typical agenda for the virtual and in-person sessions with USSOCOM?

Once a week for 1 hour virtually with a company, and then once a month, virtually with the whole cohort. Probably a two-hour to three-hour, maybe a half-day, session on specific topics, discussion, roundtable type thing, and then once a quarter in person for a one-to-two-day event.

14. Will cohort members have opportunities to engage directly with SOF units or Program Executive Offices (PEOs) to better understand operational needs?

Yes, absolutely. This is a central pillar of what SOCOM is trying to achieve: which is to reduce some of the barriers to communication between private capital actors and end users - recognizing that the government can be an imperfect customer because the person that needs the widget isn't the person that buys the widget, is not the person who budgets for the widget. So ideally, yes. Operators, acquisitions personnel, and investors are put in the same room as companies to get an unvarnished opinion on the utility and operational requirement.

15. Could you provide more guidance on the desired TRL level of technologies that USSOCOM is looking to develop through the cohort?

SOCOM already has some companies in prototyping efforts that are going to be part of the cohort so we're not looking to develop technologies through the cohort.

16. How much focus is being placed on commercially viable technologies versus those that are specifically developed for military applications?

The Government Stakeholders remain humble about this, as they are not very good at identifying commercial viability. And that is why they think it's important to hear from investors and do independent due diligence on these companies to see if they are commercially viable in their current state. If there's market adjacencies they could pivot into and become commercial technology, or whether or not they are uniquely military, that's not something that we typically consider when we're awarding contracts. At the same time, the stakeholders recognize that when a company has a commercial product line, it generally drives down unit costs, it generally makes products more reliable, and the refresh rate is higher. We see the benefits of a company that's dual use. The government has not typically been very good at identifying those. And so that's one of the truths that they arrived at that drove them to build this pilot program.

17. How do you envision private capital working alongside other USSOCOM or government-funded programs to accelerate technology development?

It's likely that not all companies coming through this accelerator would be good investable opportunities. But they might benefit from a debt instrument, as used by the Office of Strategic





Capital, or launching a loan program - which might be a better option for some companies than selling equity space on their cap table. It's also possible that they are bankable and that just loans through an institutional bank are a better path. Every one of these companies has a different journey in front of them. SOCOM is looking to find the best path for each of them. It's a very high touch proposition here, where SOCOM spends a good amount of time working with each of these companies to make them successful, whether it's a government funded path or private capital, that will likely vary.

18. Expected pathway from participation in the cohort to potential contract awards, particularly regarding OTAs FAR-based contracts or other procurement mechanisms?
It's important to emphasize that for the companies coming through this accelerator, the government makes no explicit or implicit promise that we plan to award additional contracts. SOCOM is bringing them into this accelerator because they have promising technology, but the government is not making any promises that we plan to procure their products in the future. If there are future procurement actions, then SOCOM will try to give the broadest available pathway. It could be anything from an OTA to a FAR contract. SOCOM wants to leave all those pathways open, not going to close any of those off.

19. For companies without facility clearances, what would be the process for obtaining necessary security clearances to engage with USSOCOM on classified projects?
FCL's won't be sponsored or required. SOCOM is currently evaluating other pathways to sponsor individual personal clearances outside of the NISP.

20. Elaborate on the compliance requirements such as NIST SP 800-171 and how they will be applied to participants in the cohort
It's unlikely that SOCOM would be sharing controlled unclassified information or classified information on investors IT networks. If that were to happen, SOCOM would have to follow the operative protocols, but that's unlikely.

21. How does USSOCOM evaluate risk in terms of investing in early-stage companies with technologies that are not yet fully matured or commercially deployed?
There's room for improvement, that's why the government is retaining a third party to do independent risk analysis and due diligence on these companies, so that they can get an objective look at all facets of risk. This question is not totally salient to the solicitation, but it is something that the government is thinking through.

22. What risk mitigation strategies does USSOCOM recommend for investors in the cohort when assessing potential portfolio companies?
USSOCOM would not recommend any risk mitigation strategies to private investors. The government typically would not say that they have the expertise to provide any guidance on what risk mitigation strategies should be when making commercial investments. That's not a skill set the government has, and that's probably part of the impetus for this program.





23. Is there a preferred structure for how capital should be allocated, are there any constraints on how funds should be deployed to align with USSOCOM's objectives?
SOCOM does not require applicants to meet the SEC definition of a VC. Applicants just have to be a qualified investor. SOCOM is evaluating funds' availability as a criterion. The government doesn't want to be involved in the actual deal flow, they want to stay hands off and just make the introductions with the companies.

24. What opportunities exist for long-term engagement with USSOCOM beyond the cohort, such as through continued investment partnerships or follow-on contracts?
This is a six-month pilot program to see whether or not the incentives align, whether or not there's mutual benefit to be had. Before talking about long term partnerships and follow on contracts, the focus is proving the model. A lot of folks in the department and in private capital have talked about ways to partner better, ways to integrate, ways to reduce barriers to communication, and this is sort of a first step to seeing whether those things can work. There isn't a long-term view of this at the moment. The focus is on execution of this pilot, gathering data, and learning lessons.

25. Will cohort members have access to USSOCOM's test facilities, research labs, or other government resources to help evaluate the technologies they invest in?
This is not the principal focus. This isn't a CRADA to let folks use our labs or test ranges, but there will be instances where we bring people to bear.

26. Will participation require a facility clearance for my company, and if so, what is the process for obtaining one if we don't currently have it?
SOCOM will not require a facility clearance, nor will they sponsor a facility clearance through the National Industrial Security Program. They are exploring other avenues outside of the NISP to grant clearances to individual investors, but the details aren't ironed out. There are authorities to grant clearances outside the NISP to non-government personnel that we are considering the utility of and the burden that is associated with that. But an FCL is not required.

27. Does SOCOM seek financial advisory support (e.g., valuation, commercialization support, deal structuring), or is the focus strictly on capital investment?
SOCOM is going to do independent due diligence. They're already in source selection to select some performers to do that. They're going to look at the companies holistically. They're going to look at their market risk, their company risk, security risk, all of the risk factors that one would see in a commercial "M&A" due diligence type deep dive. SOCOM intends to bring that to the table for the investors ahead of time, rather than asking the investors to do it. The focus is on advice and mentorship between the companies and the investors.

28. What is the general opportunity size? Frequency of Established vs Emerging businesses and current existence of institutional capital?
The general opportunity size is early-stage companies. They're largely nontraditional small businesses. Current existence of institutional capital, it varies by company, and there isn't any granular data on that.



29. Guidance on diversity and maturity of technologies being commercialized at SOFWERX in this program, and mix of dual-use tech vs. exclusively SOF specific tech?

It's a mix of hardware and software. It's a mix of autonomous systems, communications on the hardware side, mix of data analytics, SAS and edge software on the software side. There's some dual use in there. There's some more defense tech in there.

30. Will those with active clearances have an advantage in this process?

No, clearances are not being considered. It's not one of the criteria published here, and won't consider it if people require clearances later.

31. Are you looking for investors to assist in potentially removing or buying down potential existing owners/investors who might cause concerns?

No, that is not the focus of this program.

32. Is there any thinking around transition via an integrated capabilities focus? Even AFRL isn't really able to transition its small business and FFRDC work

Un familiar with what AFRL is doing in small business and FFRDC work.

33. Has the cohort been established? Can we nominate participants?

Nominations are not accepted for participants to the cohort.

34. Is the goal to then co-invest with VC's or investors after this collaborative 6 months? (is SOCOM going to bring Dry Powder to the relationship as well?)

Ideally SOCOM is sending a strong enough signal here by bringing these companies into the accelerator. If it turns out that that isn't strong enough of a signal of our interest or intent, then that's a good data point. But at the moment, there's no co-investment mechanism being utilized and that's something that's being thought about. What types of non-dilutive capital could the government bring to strengthen the signal of our interests in a particular technology? But as far as this pilot program goes, that's not something that's being brought to bear.

35. How do you intend to handle potential conflict of interest re: investors potentially putting money into your portfolio companies?

It doesn't serve the Government to be draconian and try and prohibit investors from putting money into our portfolio companies. The Government wants them to scale and succeed. They belief in the technology, which is why they're being brought in. At the same time, there's still some work to do to figure out specific parameters on OCI. The intention is to include some OCI language in our award to SOFWERX that will be given to the participants. It's traditional OCI type language. The ask is to identify any potential organizational conflicts of interest, notify the agreements officer of any potential conflicts, and submit a mitigation plan. We will tie that mitigation plan to some period of time during the pilot program, and then potentially after the end of the pilot program. It's difficult to contemplate what the actual conflict would be. It seems like it's actually a good alignment of interests. More TBD, but there will be some draft language and the intent is for it to be amenable to everybody.



36. Are you hiring firms or individuals?

It is not required that applicants be registered VC's by SEC standards, they just have to be a qualified investor.

37. What IP protections will be in place with participating cohorts and companies?

TBD here. Participants should not be compelled to share proprietary information should they choose not to. If there are other protections required, that's something they'll work through on a case-by-case process. But the investors will be asked to protect any government furnished information they're provided appropriately.

38. Would executives from Prime/Subs to current SOCOM contracts be excluded or welcomed?

Please refer to the criteria. It's a very individual question. If the executive meets the criteria, then they're welcome to apply. If not, then it's maybe not a good fit.

39. Other than foreign ownership type concerns, are you expecting to impose any limitations on investment structure for members who want to lead a round?

The Government does not want to be involved at all in the investments. There's no interest in trying to put thumbs on the scale here. The goal is to bring in companies that have potential to be scaled so the Government doesn't have any equities in the investment.

40. Following up to the operating company question - what if our software is for catalyzing investment?

Please refer to the criteria. The interest is in investors, not operating companies.

41. Will you support other incubators that are investing in this space (I.e not just funds)?

For this pilot program, the interest is not in incubators, but in finding funds.

42. Have these companies won SOCOM contracts? What stages of growth are they in?

Yes, they're on some sort of contract with, with SOCOM. That is a prerequisite.

43. Would a nonprofit organization, without its own VC funds, but experience mentoring, be appropriate to apply for this?

Don't believe so. Based on the criteria that's been laid out, that type of organization wouldn't be a good fit.

44. I understand you would diligence our LPAs, PPMs, and the LPs in our funds. Is it safe to assume this info will be excepted from any future FOIA requests?

Any company through this cohort that has an agreement with SOFWERX, because it is a commercial agreement, is excepted from the FOIA request.

45. We are a company with over \$12M in private venture funding (VC backed). Can VC backed companies participate?

No.





46. My firm focuses on software, encryption, and communications? Now many companies would I see in this role? Can I stay out of autonomy and edge AI and drones?

This is not for operating companies.

47. What is the target size of the cohort?

It's still TBD, but it'll be a small group of investors. Single digits of companies at this point.

48. In terms of number of employees, revenue, government traction, etc., what's the right type of company for this program?

The companies that are coming into this accelerator are already ones that have been identified as on contract with SOCOM. If you're an investment company and that's what this question is related to, please refer to the criteria and the solicitation that talks about the types of investment funds that are of interest.

49. If your goal is to mentor the current cohort companies, why wouldn't a nonprofit, mentoring group with experience raising capital be acceptable here?

That's not the focus of this pilot. This is a pilot program to gather data. It's not the be all and end all. In the future it may be decided that there's a better way to approach it.

50. Does SOFWERX have a budget for supporting the cohort? If so, what costs will be covered? Time, travel, accommodations, etc.?

It will be in the details in the agreements that are negotiated after the time of selection. Those will specifically outline what types of costs will be covered for the cohort, and that'll be an agreement between SOCOM stakeholders, the company, and SOFWERX.

51. Will you allow teaming?

No prohibition on teaming. Unsure what teaming would really look like for investors, but open to seeing what ideas you have.

52. What are next steps after this call.

As mentioned before, the next steps are still being explored after this call. If you're interested in participating in the cohort as an investor, the next step is to pull down the white paper template from the SOFWERX website, look at the questions that we've asked in there, and submit your white paper back no later than the 27th at 11:59PM and then from there, the white papers received will be reviewed, and the compelling investors will be invited to the follow on phase of the source selection.

53. Are you pairing with the OSD Office of Strategic Capital on future investments if this cohort approach delivers the expected value?

There's currently not a formal partnership with OSC at this point. It's TBD.

54. How many startups will SOCOM bring in, what is the selection criteria for these companies, and when will they be announced?





They've already been selected and will be announced to the cohort selectees once the selection of investors is finished. There will not be a public announcement on who those companies are.

55. You mentioned no limitation on structure on investment vehicle. What about acquisition companies focused on doing minority to control investments participating? Apply and it'll be considered.

56. Is SOCOM considering collaboration with other service branches to leverage a broader talent pool from the service component PEOs?

There are a lot of different initiatives going on across the defense department to integrate private capital. In fact, there are other services on this call that are running parallel or slightly complementary efforts. Again, this is a SOCOM pilot program to address SOCOM portfolio company needs. Before even approaching the services or other combat commands or the department to ask them to join in, this would need to come from a place of demonstrated value.

57. Having been a mentor in many accelerators, the biggest disconnect between cohort companies is managing expectations on investment. Will SOFWERX manage?

SOFWERX serves as an independent and impartial intermediary for SOCOM. Their role in this cohort management is the same way a consortium manager would work. They keep the trains running on time and are not expected to want to play a meaningful role in arbitrating between companies and investors.

58. What is your DEI criteria for evaluating applicants and will you allocate some slots to historically disadvantaged parties?

For this pilot program, that's not something that's been discussed or that was thought about to include in the criteria, but that may be something that can be looked at if this does end up going beyond a pilot program in the future.

59. What is the requirement for available capital to participate?

The applicant just has to meet criteria as a qualified investor.

60. Were companies selected via your mentor protege program?

Not familiar with that program.

61. Who was chosen to conduct due diligence on the initial companies? What was that process like? Will they be part of the VC cohort?

The selectees haven't been announced and are still in the source selection phase. It was a competitive process and that's all that will be shared.

62. For the purposes of the application, do you want the applicant to be the management company of a fund(s), or a specific fund entity itself?

The investment firm that manages the fund.





63. Are individual qualified investors that are executives at Govt Contractors eligible or encouraged to participate especially in mentoring g2m?
Please refer to the criteria, if investors meet those criteria, then they're eligible to apply.

