

J.P. Morgan leads groundbreaking rare earth magnets deal

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The public-private partnership between the U.S. Department of Defense and MP Materials accelerates the buildup of a U.S.-based rare earths supply chain.

An all-hands-on-deck effort

A race against time

A template for future public-private partnerships



In late April, on the back of China's new export controls, the U.S. Department of Defense (DoD) and MP Materials began discussions on how to secure a U.S.-based supply chain of rare earth magnets – essential resources for the production of everything from F-35 jets to iPhones.

That discussion evolved into a deal that saw the DoD become the largest shareholder and customer of MP Materials, which is America's only fully integrated rare earth magnets producer. This first-of-its-kind arrangement, in which J.P. Morgan was the sole financial advisor and lead left arranger on \$1 billion of committed financing, carries key strategic implications for the U.S. and nearshores a critical industry at a time when the evolving geopolitical landscape could disrupt supply chains around the world.

The DoD rarely takes direct equity interests – it mostly issues loans or grants – so there was no blueprint for this arrangement, which included complex commercial, financial and regulatory elements.

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Co-head of Mid-Cap M&A, J.P. Morgan

An all-hands-on-deck effort

J.P. Morgan delivered, advising on the structuring and negotiation of the transaction and helping to arrange a \$1 billion financing commitment within an "eight-week timeframe", which required an all-hands-on-deck effort from senior members of the firm.

“I’ve never done anything like this and I’ve been doing this work for 30 years,” said Andrew Castaldo, co-head of Mid-Cap M&A at J.P. Morgan. “I think this is one of – if not the most – unique transactions you’ll ever see. There just aren’t a lot of public-private partnerships that resemble an M&A deal like this one.”

MP Materials operates the Mountain Pass Mine in California, about an hour south of Las Vegas. It is the only scaled rare earth producer in the U.S. and, with a rare earth magnet manufacturing facility in Texas, has capabilities spanning the entire supply chain for these critical elements.

The final deal with the DoD will give the company the resources to build an additional manufacturing facility named 10X, which will increase its magnet production to 10,000 metric tons. In practical terms, this will address all of the DoD’s rare earth magnet needs.

A race against time

The parties involved reached an agreement on scope early on: both the government and the client were interested in protecting MP Materials’ autonomy and continued growth as a private entity.

However, there were a few hurdles to overcome. For example, the project needed to include funds and planning for the new 10X facility, but things were moving so fast that a site had not even been picked yet, creating difficulties for milestone and timeline-setting.

“This administration wanted to move as absolutely fast as possible while being extremely thorough because we all knew what we were creating was going to be precedent-setting,” said Kevin Colborne, who oversees North American Mining for the Commercial & Investment Bank at J.P. Morgan. “We believe this transaction is intended as a possible blueprint for other industries and companies of national security interest.”

On the finance side, the complex deal demanded an entirely custom structure: a project-based, loan-oriented financing package with an acquisition element. “Everything was built from scratch, fit for purpose and just intense over those eight weeks. The way it came together in the end was extremely fitting for all parties, but intense to the last second,” Colborne said.

A template for future public-private partnerships

With the government looking to continue this manner of investment, Castaldo noted that the deal has positioned J.P. Morgan as an early expert in advising on and financing public-private partnerships. He said the firm will be looking to mobilize around other, similar situations in different sectors.

He also reflected that his biggest takeaways from the landmark deal was a sense of awe at the level of work and effort that happened behind the scenes from such a wide area of expertise – at the client, within the government and at J.P. Morgan. “A lot of people were involved,” he said. “And they were the right people.”