

# Congress of the United States

Washington, DC 20515

May 27, 2026

Pete Hegseth  
Secretary  
Department of Defense  
1400 Defense Pentagon  
Washington, DC 20301

Dear Secretary Hegseth:

We write regarding the Department of Defense's (DoD or the Department) efforts, under your leadership, to promote private equity investment in the defense industry. According to recent reports, the Department is seeking to establish "a team of its own bankers" to "service private-equity firms" and "pitch" \$200 billion-worth of "defense deals"; your second in command, meanwhile, has reportedly "surrounded himself" with advisors linked to private equity firms.<sup>1</sup> Private equity's involvement in our nation's defense infrastructure poses significant risks to our national security and taxpayers: "Debt-fueled acquisitions make defense suppliers financially fragile; short investment horizons discourage spending on long-term capabilities; and private ownership reduces transparency."<sup>2</sup>

To help me better understand the use of taxpayer dollars to promote private equity and its implications for servicemembers and our national defense, we request detailed information regarding the Department's activities.

Private equity investments into the defense industry have grown significantly over the past two decades, reaching record highs in recent years under President Trump.<sup>3</sup> Private equity investments began ticking up in the 2000s, in part because investors profited from the wars in Iraq and Afghanistan.<sup>4</sup> Investments have skyrocketed in recent years, with private equity firms closing over 1,500 deals involving defense contractors<sup>5</sup> and investing \$15 billion in nearly 140

---

<sup>1</sup> Semafor, "Pentagon headhunting Goldman, JPMorgan bankers for 'Economic Defense Unit,'" Liz Hoffman, March 11, 2026, <https://www.semafor.com/article/03/11/2026/pentagon-headhunting-goldman-jpmorgan-bankers-for-economic-defense-unit>; The Wall Street Journal, "A Private Equity Billionaire Mounts His Biggest Takeover Yet: the Pentagon," Drew FitzGerald, Lara Seligman and Marcus Weisgerber, April 15, 2026, <https://www.wsj.com/politics/national-security/private-equity-billionaire-shakes-up-pentagon-7264fec0/>.

<sup>2</sup> Military.com, "Capital Armies: Private Equity's Encroachment on America's Defense Frontier," Haley Fuller, December 5, 2025, <https://www.military.com/feature/2025/10/27/capital-armies-private-equitys-encroachment-americas-defense-frontier.html>.

<sup>3</sup> Responsible Statecraft, "Private equity gobbling up defense firms at a frightening pace: Experts," Connor Echols, March 22, 2023, <https://responsiblestatecraft.org/2023/03/22/as-private-equity-buys-up-defense-firms-transparency-is-already-suffering/>.

<sup>4</sup> *Id.*

<sup>5</sup> Cambridge University Press, "Leveraging national security: private equity and bankruptcy in the United States defense industry," Charles W. Mahoney, Benjamin K. Tkach, and Craig J. Rethmeyer, <https://www.cambridge.org/core/services/aop-cambridge-core/content/view/>

defense-related deals in 2021 alone.<sup>6</sup> By mid-October 2025, private equity and venture capital dealmaking in the defense and aerospace sector reached a record of \$17.7 billion.<sup>7</sup> And thanks to President Trump’s reckless war in Iran and other unnecessary military excursions, private equity’s ability to profiteer off the technologies and services needed to maintain our nation’s defense system will likely continue to grow.

Private equity investment in the defense industry presents significant risks to taxpayers. Research shows that private equity-backed defense contractors - because of their aggressive debt-laden acquisition strategies to takeover defense contractors - are more likely to go bankrupt than their peers.<sup>8</sup> A study tracking almost 500 public companies taken private through a leveraged buyout, a common acquisition strategy used by private equity firms, found that these companies were 10 times more likely to go bankrupt in comparison to peer companies that were not acquired.<sup>9</sup> The new investors then employ cost-cutting measures and price hikes to service the defense contractor’s new debt load—generating a hefty return for investors, but increasing the risk of bankruptcy when those investors sell the company. One expert warned private equity firms are able to “extract value from defense contractors and exit without accountability,” leaving taxpayers footing the bill,<sup>10</sup> and another found that private equity takeovers “frequently result in credit downgrades to acquired defense contractors.”<sup>11</sup>

Furthermore, private equity firms increase supply chain instability in the defense industry—raising costs and making it harder for the Department and other contractors to secure the materials it needs to build and maintain our nation’s critical defense systems. The Department in February 2022 warned that “consolidations that reduce required capability and capacity and the depth of competition would have serious consequences for national security,” and indicated that “The trend toward consolidation has continued in the last five years, due to vertical and horizontal integrations and the entry of private equity firms performing roll ups.”<sup>12</sup> As private

---

[A6DC30F360EF19EF1BECB9BF2D5EB9A7/S1469356923000332a.pdf/leveraging-national-security-private-equity-and-bankruptcy-in-the-united-states-defense-industry.pdf](https://www.responsiblestatecraft.org/2023/03/22/as-private-equity-buys-up-defense-firms-transparency-is-already-suffering/).

<sup>6</sup> Responsible Statecraft, “Private equity gobbling up defense firms at a frightening pace: Experts,” Connor Echols, March 22, 2023, <https://responsiblestatecraft.org/2023/03/22/as-private-equity-buys-up-defense-firms-transparency-is-already-suffering/>.

<sup>7</sup> PE Hub, “Aerospace & defense: 2025 marks a record-breaking year for private equity deals in the sector,” Obey Martin Manayiti and Craig McGlashan, November 13, 2025, <https://www.pehub.com/aerospace-defense-2025-marks-a-record-breaking-year-for-private-equity-deals-in-the-sector/>.

<sup>8</sup> Cambridge University Press, “Leveraging national security: private equity and bankruptcy in the United States defense industry,” Charles W. Mahoney, Benjamin K. Tkach, and Craig J. Rethmeyer, p. 363, <https://www.cambridge.org/core/services/aop-cambridge-core/content/view/A6DC30F360EF19EF1BECB9BF2D5EB9A7/S1469356923000332a.pdf/leveraging-national-security-private-equity-and-bankruptcy-in-the-united-states-defense-industry.pdf>.

<sup>9</sup> Finance Research Letters, Forthcoming, “Leveraged Buyouts and Financial Distress,” Brian Ayash and Mahdi Rastad, July 20, 2019, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3423290](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3423290).

<sup>10</sup> 110 Minn. L. Rev. 1075, “Bankruptcy as a National Security Risk,” Jason Jia-Xi Wu, February 28, 2026, <https://ssrn.com/abstract=5176854> or <http://dx.doi.org/10.2139/ssrn.5176854>.

<sup>11</sup> Responsible Statecraft, “Private equity gobbling up defense firms at a frightening pace: Experts,” Connor Echols, March 22, 2023, <https://responsiblestatecraft.org/2023/03/22/as-private-equity-buys-up-defense-firms-transparency-is-already-suffering/>.

<sup>12</sup> U.S. Department of Defense, Office of the Under Secretary of Defense for Acquisition and Sustainment, “State of Competition within the Defense Industrial Base,” February 2022, p. 4, <https://media.defense.gov/2022/Feb/15/2002939087/-1/-1/1/STATE-OF-COMPETITION-WITHIN-THE->

equity continues to acquire and merge contractors, the remaining fewer contractors face less competition, innovate less, and have increased leverage to inflate prices, increasing national security threats and taxpayer costs.

This risk is not theoretical: private equity-backed defense contractors have experienced financial and legal trouble in recent years. For example, Air Methods, an air ambulance company that operates from 275 military bases in 47 states, was acquired using a leveraged buyout by the private equity firm American Securities in 2017.<sup>13</sup> In 2023, Air Methods filed for bankruptcy to wipe out \$1.7 billion in debt, much of it tied to the debt American Securities used to finance its buyout.<sup>14</sup> And in 2020, Constellis – a security contractor owned by Apollo and responsible for providing security to US embassies in more than 30 countries and US troops globally – recapitalized to significantly reduce its debt burden by \$1 billion.<sup>15</sup> According to Moody's, the company accumulated debt for about a decade and had liabilities exceeding \$1 billion along with a missed debt payment on December 31, 2019.<sup>16</sup> It has since had to restructure its debt again in 2024.<sup>17</sup>

Private equity-backed defense contractors also have a history of price gouging to maximize profits. For example, TransDigm, a defense contractor specializing in designing aircraft parts, was audited by DoD in 2019. DoD's audit of TransDigm's pricing practices concluded the Pentagon was purchasing parts at very high profit margins,<sup>18</sup> such as a 9,400% markup on a half-inch metal pin.<sup>19</sup> A TransDigm official reportedly described its behavior of up-charging the government to be "like taking candy from a baby."<sup>20</sup> TransDigm was originally formed via a leveraged buyout and is now publicly traded,<sup>21</sup> though their predatory pricing practices and

---

[DEFENSE-INDUSTRIAL-BASE.PDF](#).

<sup>13</sup> AIN, "Air Methods Files for Bankruptcy Protection," Mark Huber, October 24, 2023,

<https://www.ainonline.com/aviation-news/business-aviation/2023-10-24/air-methods-files-bankruptcy-protection>.

<sup>14</sup> PitchBook, "Amid healthcare woes, Air Methods lifts leveraged loan default rate to 1.36%," Rachele Kakouris, November 2, 2023, <https://pitchbook.com/news/articles/amid-healthcare-woes-air-methods-lifts-leveraged-loan-default-rate-to-136>.

<sup>15</sup> Constellis, "Contact Us", <https://constellis.com/contact-us/>; Axios, "Security contractor Constellis in talks for \$1 billion debt restructuring," Dan Primack, January 6, 2020, <https://www.axios.com/2020/01/06/constellis-debt-restructuring-apollo-global-management>.

<sup>16</sup> CBS News, "Owner of former-Blackwater defense contractor in danger of bankruptcy," Stephen Gandel, January 6, 2020, <https://www.cbsnews.com/news/blackwater-owner-iraqi-embassy-security-firm-constellis-in-danger-of-bankruptcy-says-moodys-and-standard-poors/>.

<sup>17</sup> PR Newswire, "Constellis Holdings, LLC Completes a Recapitalization Transaction with Existing Investors," press release, September 17, 2024, <https://www.prnewswire.com/news-releases/constellis-holdings-llc-completes-a-recapitalization-transaction-with-existing-investors-302250372.html>.

<sup>18</sup> U.S. Department of Defense, Office of Inspector General, "Review of Parts Purchased From TransDigm Group, Inc. DODIG-2019-060," February 25, 2019, <https://www.dodig.mil/reports.html/Article/1769041/review-of-parts-purchased-from-transdigm-group-inc-dodig-2019-060/>.

<sup>19</sup> Fortune, "A Pentagon Contractor's 9,400% Profit on a Half-Inch Metal Pin Is Challenged," Tony Capaccio and Bloomberg, May 14, 2019, <https://fortune.com/2019/05/14/transdigm-pentagon-costs/>.

<sup>20</sup> Bloomberg, "Pentagon Rips TransDigm Of 'Gouging' With \$4,361 Half-Inch Pin," Anthony Capaccio, May 15, 2019, <https://www.bloomberg.com/news/articles/2019-05-15/pentagon-rips-transdigm-for-gouging-with-4-361-half-inch-pin>.

<sup>21</sup> U.S. Securities and Exchange Commission, "Form 10-K, TransDigm Group Incorporated", <https://www.sec.gov/Archives/edgar/data/1260221/000126022119000043/tdg2019-09x3010xk.htm>.

aggressive acquisition strategy aligns with the company’s explicit goal to “to provide private equity-like returns.”<sup>22</sup>

Additionally, the opaque nature of private equity firms - which are not required to file public financial reports – raises additional national security concerns. Private equity funds are not required to disclose investors or the source of their capital, and may be influenced by foreign investors from nations that are adversarial to the United States or misaligned with our national interests, even as they gain access to sensitive and classified information when they acquire or control defense contractors. Just last year, defense contractor Aero Turbine Inc. and private equity company Gallant Capital Partners agreed to pay the Department of Justice \$1.75 million for knowingly failing to comply with the Department of Defense’s cybersecurity requirements and failing to limit unauthorized access to sensitive defense information by providing this information to a software company based in Egypt.<sup>23</sup>

Despite the national security threats and the potential increased costs to taxpayers due to private equity’s involvement with our national defense apparatus, the Department, under your leadership, is actively courting private equity bankers to help invest over \$200 billion in defense deals.<sup>24</sup> Specifically, the Department is seeking to establish an “Economic Defense Unit” to “service private-equity firms and pitch deals critical to national security, provide advice, and arrange loans.”<sup>25</sup> According to public reporting, the team “will report to former Cerebrus [sic.] alums David Lorch and George K. Kollitides II, the former Remington CEO who is now a partner at private equity firm Alvarez & Marsal Capital.”<sup>26</sup> Meanwhile, your number two, Stephen Feinberg has reportedly “surrounded himself with a close-knit circle of advisers with Cerberus [Capital Management] ties.”<sup>27</sup> Additionally, Emil Michael, the Department’s new technology chief is reportedly “turning the Pentagon into a venture capital firm,” despite having inherent conflicts of interest stemming from his financial holdings and the access his position grants him.<sup>28</sup>

Given the significant risks posed by the Department’s growing reliance on private equity-backed defense contractors and the potential risks to taxpayers and our national security, we request

---

<sup>22</sup> TransDigm Group Inc, “Investor Relations,” <https://www.transdigm.com/>.

<sup>23</sup> U.S. Department of Justice, “California Defense Contractor and Private Equity Firm Agree to Pay \$1.75M to Resolve False Claims Act Liability Relating to Voluntary Self-Disclosure of Cybersecurity Violations,” July 31, 2025, press release, <https://www.justice.gov/usao-edca/pr/california-defense-contractor-and-private-equity-firm-agree-pay-175m-resolve-false>.

<sup>24</sup> Semafor, “Pentagon headhunting Goldman, JPMorgan bankers for ‘Economic Defense Unit,’” Liz Hoffman, March 11, 2026, <https://www.semafor.com/article/03/11/2026/pentagon-headhunting-goldman-jpmorgan-bankers-for-economic-defense-unit>.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> The Wall Street Journal, “A Private Equity Billionaire Mounts His Biggest Takeover Yet: the Pentagon,” Drew FitzGerald, Lara Seligman and Marcus Weisgerber, April 15, 2026, <https://www.wsj.com/politics/national-security/private-equity-billionaire-shakes-up-pentagon-7264fec0/>.

<sup>28</sup> The Washington Post, “The man turning the Pentagon into a venture capital firm,” Elizabeth Dwoskin and Ian Duncan, April 27, 2026, <https://www.washingtonpost.com/technology/2026/04/27/emil-michael-pentagon-silicon-valley/>; Letter From Ranking Member Elizabeth Warren to Under Secretary of the Army Nominee Michael Oadal, May 7, 2025, <https://www.warren.senate.gov/newsroom/press-releases/warren-demands-army-under-secretary-nominee-divest-stock-holdings-in-anduril-and-other-defense-contractors>.

information regarding the Department’s engagement with private equity firms and efforts to comprehensively analyze private equity deals involving defense contractors. Please answer the below questions by June 10, 2026.

1. Has the Department conducted a review of mergers and acquisitions involving private equity firms and defense contractors within the last year? Please describe the methodology of this review and its conclusions.
  - a. From DoD’s analysis, what percentage of defense contractors – prime and subcontractors – have equity investments of at least 10% from private equity firms and/or are materially controlled by private equity firms?
  - b. From DoD’s analysis, what percentage of defense contractors who were acquired by private equity firms have resulted in the bankruptcy or recapitalization of the defense contracting company within ten years of the acquisition?
  - c. Is DoD aware of any defense contracting companies that breached the Department’s contracts due to private equity investment related bankruptcy?
2. Since January 21, 2025, how many contracts has the Department initiated with contractors owned by private equity firms? How does this compare to each of the past 10 years?
3. How does DoD assess the extent of foreign investments involved in potential mergers and acquisitions between private equity firms and defense contractors? How does DoD work with the Committee on Foreign Investment in the United States to analyze these deals?
4. How does DoD work with the antitrust regulators, such as the Department of Justice and the Federal Trade Commission, during their review process of mergers involving defense contractors?
5. Given the nature of defense contract work and how it relates to national security, what additional risk assessments have you carried out in relation to private equity investment into defense contracting companies?
  - a. Have you conducted any studies or risk assessments on the impact of private equity investment on operational setbacks for national security, or the availability of a specific good or service critical to our industrial base?
6. According to recent reports, the Department is seeking to establish an “Economic Defense Unit” to “service private-equity firms and pitch deals critical to national security, provide advice, and arrange loans.” The team will “report to former Cerebrus [sic.] alums David Lorch and George K. Kollitides II, the former Remington CEO who is now a partner at private equity firm Alvarez & Marsal Capital” and work to execute \$200 billion in “defense deals.”<sup>29</sup>

---

<sup>29</sup>Semafor, “Pentagon headhunting Goldman, JPMorgan bankers for ‘Economic Defense Unit,’” Liz Hoffman, March 11, 2026, <https://www.semafor.com/article/03/11/2026/pentagon-headhunting-goldman-jpmorgan-bankers-for-economic-defense-unit>.

- a. Provide copies of all documents generated by the Department describing the “Economic Defense Unit.”
  - b. Provide copies of all communications between the Department and financial institutions regarding the establishment of this unit, including but not limited to Goldman Sachs, Morgan Stanley, JPMorgan, and Bank of America.
  - c. Provide copies of all communications between the Department and Heidrick & Struggles regarding the creation of an “Economic Defense Unit.”
  - d. Provide a comprehensive description of completed deals between financial institutions and defense contractors facilitated by the “Economic Defense Unit,” the purpose of these “deals,” the source of capital used to finance these “deals,” and the financial term sheets for these deals, including loan amounts, interest rates, and projected financials for the defense contractors involved.
  - e. Provide a description of any “conflict-of-interest” guardrails that have been implemented for Department officials working on these deals, especially for those who were previous employees of any financial institutions involved.
7. Provide copies of all communications between Stephen Feinberg and any employee of Cerberus Capital Management sent between March 17, 2025, and May 27, 2026.

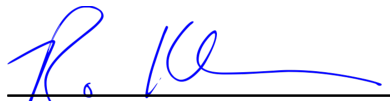
Sincerely,



Elizabeth Warren  
Ranking Member  
Committee on Banking,  
Housing, and Urban Affairs



Richard Blumenthal  
United States Senator



Ro Khanna  
Member of Congress