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TRANSCRIPT

Event

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Patriotic Capital: Financing Industrial Strength and Security

DATE

Tuesday, June 30, 2026 at 1:00 p.m. ET

FEATURING

David Lorch
Director, Office of Strategic Capital, Department of War

The Honorable Ellen M. Lord
Former Undersecretary of Defense for Acquisition and Sustainment

Mina Faltas
Founder and Chief Executive Officer, Washington Harbour Partners

Kirsten Bartok-Touw
Co-Founder and Managing Partner, New Vista Capital

Corey Johnston
Executive Vice President, Strider Technologies; Former Chief Competition Officer, U.S. Department of State

CSIS EXPERTS

Heather W. Williams
Director, Project on Nuclear Issues, CSIS

Transcript By
Superior Transcriptions LLC
www.superiortranscriptions.com

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Heather W. Williams: Right. Welcome back everybody. I hope you had a good lunch break. It seems it's much warmer outside than it is in here. (Laughter.) Multiple people have commented on that. So I hope everyone is comfortable and ready to go for some further fascinating discussions for our Global Security Forum this year.

Our next panel will explore "Patriotic Capital," and the ways the United States can finance industrial strength and advance national security. As strategic competition intensifies, how the United States invests, mobilizes capital, and builds industrial capacity is becoming increasingly important to both economic resilience and national security.

To help guide us through this conversation, I am going to turn it over to our expert moderator to lead us in this discussion. Corey Johnston is the executive vice president at Strider Technologies and former chief competition officer at the U.S. Department of State. Corey, over to you.

Corey Johnston: Thank you very much. Good afternoon, everybody. And thank you to General Dunford and CSIS for convening this great series of discussions.

I'm really excited about today. One, I'll introduce our panelists very briefly: David Lorch, the director of the Office of Strategic Capital at the Department of War; Honorable Ellen Lord, the former undersecretary of defense for acquisition and sustainment, and I got the pleasure of working with her when she was in that position; Mina Faltas, founder and chief executive officer of Washington Harbour Partners and also a sponsor here – nice to see you; and then, finally, Kirsten Bartok-Touw, co-founder and managing partner of New Vista Capital.

I'm excited about this panel because I think it dovetails nicely on the previous panel. In fact, as they were going through their themes I was like, wow, that sounds strangely familiar. While they were looking at industrial capacity, we're going to look at the financial side of this and the capital stack.

For much of the post-Cold War era, when we talked national security, industrial policy, capital markets, they existed in kind of three separate buckets. But as we've noticed and as we've talked about today, they're all converging. Strategic competition and kinetic competition is heating up. Mobilizing capital and modernizing financial tools have become central to strengthening industrial capacity, accelerating technological leadership, and countering increasingly sophisticated forms of economic statecraft from our adversaries overseas.

The debate is no longer whether government and private capital should work together; the question has largely been answered. The question today is whether the U.S. can move quickly enough at sufficient scale with the right partnerships and tools. So a question I'd like to revisit throughout the

discussion was really a term and theme that we heard last night at dinner with General Caine: How do we get founders, funders, and fighters in the same room to address some of these challenges?

We'll go through a few themes. We'll go to this trusty iPad that has kind of a cool space thematic to it for questions from the audience. But really, what I've invited the panelists to do is hopefully play out what happened on our prep call, where there was not 100 percent unanimous agreement. There was actually a lot of disagreement. But that's good, because we have different tools. We're all kind of learning this together, and so I'd like to bring that out as well.

The first theme is building strategic capacity. How has the ecosystem evolved and are we building capacity fast enough? And I'd like to turn, Ellen, to you first for a quick three-part question to set the scene. You were on what I'd say is the early stages of this. Looking back at your time as undersecretary, what has fundamentally changed? What challenges remain? And in today's – if today's financing tools had existed five or 10 years earlier, would they have changed outcomes around munitions and industrial readiness?

The Honorable Ellen M. Lord: OK. So thank you, Corey. And thank you, CSIS, for the opportunity to participate here.

Just to sort of set the scene, I was in the Pentagon between '17 and '21 in Trump I, and I think there are three areas that have changed significantly since I was in. One is the nature of war itself. The threats are coming at us much more quickly, very little time to respond. Secondly, cyber as a domain is very, very significant. We only got offensive cyber capability around '18 or so. And thirdly, space is a warfighting domain. So those three things have changed tremendously in the intervening time.

Secondly, the rate of technology development and application has increased so quickly. And I think perhaps autonomy is a good place to look at that – particularly leveraging data, which I believe is the most valuable intellectual property that the department has. If you look at Ukraine, for instance, and the way that small autonomous, attritable systems have become incredibly important with not the most perfect, exquisite technology but just good enough with basically quantity having a quality all of its own, autonomy is really, really important. And as we just saw a few weeks ago, we actually had unmanned surface vessels rescuing downed helicopter pilots. So all of that is changing very, very quickly.

But perhaps in response to the first two items, the most significant thing I see is the way the administration is looking at funding our military differently, and the urgency with which they are moving, and the appetite for

industrial policy, because there was little to no appetite for any kind of industrial policy.

Mr. Johnston: It used to be a bad word, right?

Hon. Lord: Yeah. And in fact, I actually got a dressing down, if you will, by some people that are very senior right now in the administration for opining about industrial policy, because, obviously, China has weaponized capital. But I think where we're seeing the reindustrialization of the U.S. with a focus on manufacturing and particularly reshoring a lot of our supply chain, very, very significant. We now are putting money behind manufacturing. And the fact that we've seen all these executive orders – I think the only executive order we had that was significant relative to the defense industrial base between '17 and '21 was actually trying to get the data around what were the fragilities in the supply chain, which I think was foundational.

So those are the three areas that I think have really, really changed. And we're seeing the sense of urgency and really the need for speed, so it's exciting.

Mr. Johnston: I like that. Thank you so much.

And speaking of where government kind of comes in and some of those changes, one thing that did not exist when you were in the seat but now does is the Office of Strategic Capital. So, David, OSC was created to address financing gaps. How has that mission evolved? Is OSC primarily solving a capital problem or an execution problem?

David Lorch: Sure. So Office of Strategic Capital serves as a bridge between capabilities that are needed for our national security and what's viable in the private sector. So when we're talking to companies about reshoring a supply chain of mine to magnet to build magnets domestically here in the United States, when we're talking to companies about building components for drones here in the United States, semiconductors here in the United States, et cetera, the answer is often: We'd like to do that, but we're a publicly traded company. We have a fiduciary responsibility to maximize value for our shareholders. We're not trying to act against U.S. interests, but it's much more economical for us to build in Vietnam or even Mexico.

And so we're deploying our financial tools whereby we can issue debt on a more flexible basis than what's available in the private markets to effectively induce these companies to build in the United States, specifically to build against national security shortage areas where we have gaps and vulnerabilities, and to make agreements to support the national security mission – like to have a board of directors that's comprised in a majority of

U.S. citizens, or executives who are U.S. citizens, and to direct the output of facilities that we're financing to the United States.

When the office was started, we – the first – the first instantiation involved approximately $984 million of loan authority that would be doled out in equipment loans of up to $150 million. After President Trump, Secretary Hegseth, and Steve Feinberg came in, that was increased from 984 million (dollars) to over $210 billion. And so we're focused on making loans principally between 1 billion (dollars) and 5 billion (dollars) per loan. That's also crowding in substantial private capital. So we can really deploy into situations to move the dial for national security.

Mr. Johnston: I like that.

I am going to take a question from the iPad because it's timely, from Ed Fortunato – I hope I'm saying that correctly – with Safran Defense and Space. He asks: What are OSC investment priorities? And what does the ideal partnership with industry look like for success?

Mr. Lorch: So we have about 35 categories that Congress has given us to support financially. Those include critical minerals, space and satellite, shipbuilding, drone/counter-drone, microelectronics, semiconductors, biopharma, manufacturing. I'm sure I'm forgetting a few, but those – energy and battery is one I just forgot. Those are a number of our key focus areas. And we're – you know, we're happy to support and talk to – (clears throat) – excuse me – any company that has a project or a priority or a plan to fulfill a shortage area. We don't – you know, things we have enough of in the United States we don't need more of, but if we can support a project to close a supply chain vulnerability that's where we're looking to partner with private industry and provide support.

If you look at the transactions we've been involved in – and we've closed about $6 billion of transactions this year – there's been about a one-to-one ratio on average of the debt capital coming in from Office of Strategic Capital and what that crowds in in terms of equity funding from the private sector. So we don't necessarily require that, but it's been a one-to-one ratio on average.

Mr. Johnston: OK. And really quickly, we were talking in the green room you're growing as well from a headcount size.

Mr. Lorch: Yes, sir.

Mr. Johnston: So I think your chief of staff said from 25 to 95 since he's been there.

Mr. Lorch: Yes, sir.

Mr. Johnston: And it looks like there's more job opportunities out there for enterprising young investors.

Mr. Lorch: Yes, sir. You know, we really just started with a handful of – a handful of people and, you know, people who had all the right intentions but did not have experience at conducting transactions at this scale at this timeline. And so we've effectively rebuilt the team from scratch – all people who are coming in from the private sector, many of whom are taking seven-figure pay cuts to do this. As you mentioned, we've staffed up to 95. We just were awarded another 40 billets, which we'll be filling quickly.

Mr. Johnston: Nice.

Mr. Lorch: And expect more billets after that. And we're really grateful to President Trump, who signed something called Critical Pay Authority, which enables us – you know, people are still taking huge financial hits to do this, but Critical Pay Authority enables us to pay up to $400,000 a year. So if you know anyone who's qualified, we're absolutely taking applicants.

Mr. Johnston: Thanks for that. And I mean, it's obvious you're mobilizing for the challenge.

Mina, maybe I could turn to you. We talked about founders, funders, and fighters, you know, 10 years ago, and we heard it from General Dunford earlier. He wishes he had more awareness of private-sector challenges. Ten years ago, the challenge was getting government comfortable working in the same room with innovative companies or investors. Have we solved that problem? Has the bottleneck shifted from innovation to scaling? I'd love your perspectives.

Mina Faltas: Yeah. So I think that, you know, there was potentially 30 years of, like, legacy technical debt and capability debt with the system being largely controlled by large companies that did customized, exquisite things that were difficult to scale and weren't interoperable. And then, as software began eating the world and the world became more digital in the mid 20-teens, it became a necessity for the government to be more, I think, openminded and to explore new entrants, whether those new entrants were folks like the Palantirs or the Andurils created in 2017 or leading middle-market players that could move faster and bring more investment to bring scalability and interoperability and modern commercial tech to this government footprint.

That accelerated, I believe, with the pandemic and the move to cloud. And then it's further accelerated with not only the necessity of AI and cyber and this incredibly complicated geopolitical landscape that's demanded urgency – and then, hence, needing, like, speed and scale – but we've got a

supermajority of military and civilian leaders today that are trying to push the momentum and are working a hundred-hour, you know, weeks even in shutdowns to make sure that we don't lose our advantage.

So, as an investor, it's a very compelling setup and it's a necessity, not only in this window but for decades to come.

Mr. Johnston: Sure.

Hon. Lord: Top line's not bad either. (Laughter.)

Mr. Johnston: And then, Kirsten, where do you – where do companies struggle most today? Is there a constraint on capital procurement demand signals, or something else? What are you seeing with your portfolio companies?

Kirsten Bartok-Touw: I think the overarching comment is that we have a much more mature and knowledgeable customer than we did five years ago. Five years ago they were kind of dabbling, thinking about it, and now we actually have the customer looking about how we're going to use it to project force and in operations. And it's only when you get to that point are you actually – are they actually able to buy things and to think about longer-term commitments.

So we're really at an inflection point where we hope now that a lot of the OTAs we've gotten say prototyping contracts are now going to transfer into long-term purchase agreements. We're seeing that some of munitions. However, for early stage companies, especially pre-seed – and again, there's a contract, or a compact we should say, between the private-sector capital markets and now the government that, from going forward, we will now fund your R&D for you but you have to be there as a customer for us in the end.

But that still doesn't change the point that an early stage pre-seed or seed-stage customer is predominantly filled with engineers, and it is very difficult to sell. You have to put a lot of people in Washington, D.C., at multiple different places in the building, both sides, whether it's operators or whether it's politicals or acquisition officers, to understand what your client – your customer needs, and that is an expensive proposition to do. While we've improved kind of the connectivity and the information flow going back and forth – and you do see it with this administration. They are now more comfortable talking to startups. They share information more easily. They're much more clear about exactly what they're looking for than they were four or five years ago. And that translates, again, to a mature customer, but it doesn't – it is still very difficult because of the broadness of who you have to sell to for these early stage startups to afford it.

Mr. Johnston: Yeah. No, thank you for that.

You know, we've become much better at identifying strategic vulnerabilities. Have we become equally good at fixing them? And this leads to the next theme, competing for advantage. How should the United States prioritize investment to maintain long-term competitive advantage? We sometimes talk about the small-check deployment versus large-check. You said initially it was upwards of 150 million (dollars) to 400 million (dollar), roughly, and now it's –

Mr. Lorch: Started at just 150 (million dollars) at the time –

Mr. Johnston: One fifty (million dollars), and now it's 1 (billion dollars) to 5 billion (dollars). So there is a balance, right? Large strategic projects obviously matter, but so do kind of the new and competing tech to keep us in the game.

For the group, I'd say what advantages does a U.S.-market-based model still possess over state-directed systems? And we'll get into a few individual questions, but anybody want to take that?

Mr. Lorch: Well, I'll just say we do – there are a number of financial tools just within the U.S. government. So, for example, in terms of smaller companies, we have a partnership at the Office of Strategic Capital with the SBA, and that's our method. It's called the SBICCT program. So that's how we support the smaller companies that previously might have received a loan directly from OSC, so we support those in partnership with SBA. We also collaborate and coordinate with DIU that has programs. And DARPA also has financing available for emerging and growth-stage companies in the national security space. So I would just offer up that there's a number of financial tools available if you look across Department of War, the tools I mentioned there, SBA, Ex-Im, and DFC.

Hon. Lord: I'm here because –

Mr. Johnston: I was hoping you would.

Hon. Lord: – I think there's – this is part of what we discussed on the phone. I think there's an opportunity here, to look at it from the optimistic way, to communicate a little bit more clearly and a little bit more broadly. Because I just know – for instance, I had worked in industry for over 30 years before going into the building, and I knew I didn't know much about how things really worked in government. I got inside; I realized I knew nothing. And what I think you start to forget, you're kind of like – not you, but I'll say I was sort of like the frog in the water, that the temperatures turned up and all of a sudden, you know, you're really – you're comfortable and you're boiled. You don't realize that everyone else out there has no idea what's going on.

So I think a communications campaign detailing all of these things for small companies, because the larger companies typically have the resources, just given their structure, to ferret out what is the art of the possible working with the department. A lot of these VC-backed companies are bootstrapped companies. They don't have the time to figure that out. And I know I've just heard many times, if I could just get a $20 million loan it would make all the difference, because then they're branded as a DOD-funded company and they could go to open markets. So I think being able to communicate that in a way that you don't have to have a Ph.D. in navigating, you know, the system of DOW, you know, going to the right place. I think it's an opportunity.

Mr. Lorch: Well, that's a great – that's a great point. And we're – now that we have our team, we're going to be launching a website where, you know, we –

Hon. Lord: All those billets, yeah. OK.

Mr. Lorch: – you know, give people some public information on our website –

Hon. Lord: I think they'd appreciate it.

Mr. Lorch: – that walks people through different companies and different ways to approach the interagency financing arms.

Mr. Johnston: Yeah, that's good.

Kirsten.

Ms. Bartok-Touw: If you look at our systems, we're so much further beyond than we were. I mean, we'll use just undersea mines as a problem. Look, a high-targeted system, China has a lot of advantage. We were at Hoover last week talking about this. They can put out five-year plans and say go build this, and it's been really effective in small electronics, batteries, other things. The benefit we have is it can move quickly through.

So you saw our issues in Iran. We came back, I'd say within two or three weeks but it was about a month, maybe. DIU came out with a proposal, a request for proposal from the startup community looking for technologies to handle undersea mines. So that cycle is really positive. And then what happens is because we are capital markets and they adjust, they are able to adapt and people go after those.

Now, it is a function of the communication, you have to say, to your points, or we continue to get better, right? It's better than we were five years ago, and it will get even better as everyone gets more comfortable communicating what their priorities are.

Hon. Lord: I think competition's our friend is what you're saying.

Mr. Johnston: Mina, you had a different –

Ms. Bartok-Touw: Absolutely.

Hon. Lord: That's making it work.

Mr. Johnston: Yeah.

Mina, you had a different take on this when we had the prep up.

Mr. Faltas: Yeah. Look, I think – I think we put – frankly, as private capital, I think we put too much of the burden on government. You know, I actually believe that for the last 20 or 30 years government wanted the best technologies and the best partners, and there were – there were reasons why private capital and new companies had difficulty entering until it became, like, a necessity. They proved they could do what they said they could do, and now it's more and more mainstream.

Similarly, on the financing side, I think that private capital has the responsibility to understand contract vehicles, and understand requirements, and understand the different types of money and different colors of money and what's available. It's not only on the government. And I think private capital can provide a lot of value at scale to large and smaller companies, knowing what the rules of the game and, you know, the optimal funding for different types of companies in different situations.

Mr. Johnston: I like that.

I'm going to go to a(n) iPad question from Chris Michienzi with MMR Defense Solutions. And she asks: A lot of companies, small companies, don't make high enough profit margin and revenue to feel comfortable taking on debt. How can OSC help these companies with investments versus loans? And I think this is a common question that I've heard before from smaller –

Hon. Lord: It's like the old DPA Title III.

Mr. Johnston: Exactly.

Mr. Lorch: Well, my chief of staff, Doug, will probably yell at me if I get too much into –

Mr. Johnston: Doug, will you raise your hand so everybody can – (laughter) –

Mr. Lorch: There's some things –

Hon. Lord: Everyone can come to you after. You never let your outer office control you. (Laughter.)

Mr. Lorch: I will say that the Senate draft of the NDAA would give – would give equity authority, so I won't comment further. But right now we don't have equity authority.

Mr. Johnston: Yeah.

Mr. Bartok-Touw: Can you also talk about the risk appetite? Because there's something really in, you know, the next version which allows you to have more tolerance to losses. It's super interesting.

Mr. Lorch: So, like the other government financing programs, every loan we make is scored by OMB. And so, while we have over $210 billion of loan authority, we have about a billion-and-a-half dollars that we started with in terms of actual credit subsidy. So if OMB looks at a $5 billion loan and says it has a risk subsidy – a risk – a risk rating of 10 percent, that means 10 percent of the loan – in this case, 500 million (dollars) – would be funded from our credit subsidy and the other 90 percent would be funded by the Department of Treasury exercising our loan authority.

Right now, as you pointed out, we have very limited credit subsidy. So if you look at a proportion, we're less than 1 percent. We're significantly less than 1 percent in terms of the proportion of our credit subsidy dollars to our loan authority dollars.

The current legislation has a very significant increase in our credit subsidy that, as you said, would provide more flexibility. But as I said –

Ms. Bartok-Touw: And allow you to be a little more risky to some extent, which is important to understand.

Mr. Lorch: Yeah. Provide more flexibility. But as I said – (laughter) – I don't want to – I don't want to get ahead of what I'm allowed to.

Mr. Johnston: Yeah. Kirsten, I'm going to –

Ms. Bartok-Touw: But that's really positive because –

Mr. Johnston: I'm going to turn it back to you. (Laughter.) We'll get to the small check, large check question. How do we balance investment in industrial capacity with investment in the next generation of dual-use technologies?

Ms. Bartok-Touw: I think it's a little bit about private equity versus venture capital. You know, when venture capital looks at something, and especially in this world today where we have large later-stage funds that are looking for liquidity, we from a venture capital side have not yet figured out or we don't believe – it has not been proven – that we can make money from M&A. So everyone is building towards large TAMs and large products, and looking for big opportunities that'll eventually go public.

If you're in PE, which has historically funded the industrial base – and again, they tend to like things that are cash-flow positive and that they can grow over time – you know, they're more incremental risk. So they're not looking for technology risk; they're looking for operational, and how do I grow and leverage it?

I do think today that we are seeing a convergence of the two groups kind of come closer, and we see a lot of the private equity, especially the growth funds, willing to do later stage. I.e., Castelion is out there. It has – is very close to a program of record. And now you see many of the firms that focus on scaling technology after it's derisked come into that.

So it is a very, very – as the DOD has become – and again, a lot of it is OSC. A lot of it is more communication on where our priorities are and we want to do in the large budget. You're seeing more capital come in, which is a positive thing because that is, again, the tradeoff – who's going to do the capital investments and who's going to fund the R&D, and we'll purchase the equipment.

Mr. Johnston: And that's covering the full kind of stack of options.

Ms. Bartok-Touw: And that's very unusual, just to point out. There are few people that have that scope to do that Mina does. Most institutional investors are stuck being more focused on niches, which is great. We need more of it.

Mr. Johnston: I was going to ask, do we need more of that?

Ms. Bartok-Touw: Yeah.

Mr. Johnston: And then how do – how do you kind of tilt into that? For instance, a question came in on the JPMC, or JPMorgan Chase, Security and Resiliency Initiative. How do we view something like that, for instance? Is that covering all portions, or is that just the larger check writing?

Ms. Bartok-Touw: It's more the larger checks, although, again, if you're – if you're in private equity – (inaudible) – you're looking at models. You're looking at leverage. You're looking what it looks like in five years. If you're on the venture side,

you're looking at the tech, the technology, the size of the TAM, what does the customer think of this, is this a good fit, and what's the long-term opportunity.

So, it is interesting, and I think Mina pointed this out well. You know, the private equity groups don't really understand the tech and don't want that risk, and then the VC groups do not understand how to model or how leverage works. So, as they come together, we are seeing more and more opportunities.

And we've often talked about bridging that divide, that gap of where capital is, which is often funding that scaling while you're still unprofitable but you're building to scale your manufacturing. And now we are seeing the capital markets come in and fund it, which is, back to your earlier comment, the best thing about flexibility, not being centralized control where everyone's told they have to go somewhere.

Mr. Johnston: Absolutely.

Mr. Faltas: We compare notes with and we co-underwrite with JPMorgan SRI. And I think they do a good job of blending the quantum of capital with an appreciation for the technology and the capability and the impact that that company and their capability can have at scale.

Mr. Johnston: OK. Thank you for that.

There's a lot of areas to invest, obviously. We hear a lot in these discussions about critical minerals, rare earths. Are there areas, though, that we are maybe underinvested or not quite on our radar that should be? And maybe I'll just take it from Kirsten on down.

Ms. Bartok-Touw: Small electronics and motors, the industrial.

Mr. Johnston: OK.

Ms. Bartok-Touw: We are underinvested there and we are undercapitalized.

Mr. Johnston: Mina.

Mr. Faltas: We take our demand signals from the government customer, and so we're very aligned with the priorities of Director Lorch and his organization.

Mr. Johnston: Yeah. Thank you.

Ellen.

Hon. Lord: Yeah. I think that there are some third- and fourth-tier supply chain companies that are really merchant suppliers to everybody else that become the chokepoint, and it's not particularly sexy stuff. I mean, sometimes they're machined items. Sometimes they're forged items, some electronics. But there's been a lot of supply chain illumination done to show where this is, and I think there's a lot of opportunity there because the scale is there.

Mr. Johnston: David.

Mr. Lorch: Oh, bring us the – bring us the companies that are fulfilling a shortage and we're here to help.

Mr. Johnston: Perfect. Great answer.

Hon. Lord: The door is open.

Mr. Johnston: You know, as we close out this theme and move on to the next, I want to finish with one question from Mike Spertus (ph) with Thorindor (ph). And he asks: Is this truly an era of reindustrialization or is this a wave that might not last? I think maybe over to you first. Are we mobilized for sustainability?

Mr. Lorch: Well, I don't – I don't set policy, but we're trying our best right now. And you know, as a patriot, obviously, hope this goes until the mission's complete.

Mr. Johnston: Ellen, are you seeing a definite positive trend?

Hon. Lord: I see an alignment. And there's definitely a positive trend because you have Congress, who I think has given a lot of authorities; you have the executive branch, that's writing policy; and then there's implementation guidance. And things are happening.

The challenge becomes having people that will provide the continuity so that when you get some of the leaders with intestinal fortitude moving on, just as they cycle out that there's someone there with the corporate memory to make it all happen. And that's the one thing I worry about all of the special government employees and all the people coming in, which is great to augment what's going on right now in the department, but what happens in a couple years regardless of what party wins the election? I think we've kind of hollowed out the civilian workforce, if you will, and we need to repopulate it with people that have the business acumen and I think the drive and the ambition to really make something happen.

Ms. Bartok-Touw: Can I just underline that before we go on, though?

Mr. Johnston: Please.

Ms. Bartok-Touw: Because for the first – in prior administration or prior years, we haven't underwrote the risk of that. And now, as we go into deals, we are very, very concerned what might happen in a presidential transition.

Look, you're going to have a transition regardless, so there are going to be different people in the DOD and people bring different priorities. Which is why it's so important, back to Ellen's point, that you have continuity in the government workforce or our servicemembers. And that is now a big risk that I think is in the back of every investor's mind today.

Hon. Lord: Yeah. And I'll just take one more jump here. We always want to create new things, but we have the institutional wherewithal to teach all of these things. So you look at Defense Acquisition University, where we're a little heavy on, you know, power – death by PowerPoint.

Mr. Johnston: Absolutely.

Hon. Lord: And many people who have never been practitioners, you know, they are doing the lecturing. I think all of these people have an opportunity to participate in that education, because not only people in uniform but career civilians need to understand how industry works, what cash flow is about. You've got to – you know, you can't go and demonstrate something and have everybody say, yes, that was great, we're not going to give you back your equipment because we want it, but, oh, by the way, we'll get back in nine months with a little bit of funding, where you've got to meet payroll every week. And I just don't think there's the understanding of that within the department, and that's an opportunity.

Mr. Faltas: I mean, outside of the department, if the question was about industrial capacity I'll go ahead and volunteer, like, I don't have a crystal ball but I'm optimistic. It's part of the arc of history and a necessity that we restore our industrial capacity, whether you're, like, a stay-at-home mom and you couldn't get – you couldn't go buy a Ford Expedition because you couldn't get a rare earth magnet, right, or whether you're the CEO of a Fortune 500 company and you've experienced these scares in the last 18 months where you found out you were beholden to another country or to other forces. And, like, that is a huge risk factor. I just don't think you can go back.

Hon. Lord: Yeah. But we can be agile and deal with that. I mean, look at Ukraine.

Mr. Johnston: Absolutely.

Hon. Lord: There are kids coming in after school and grandmothers that are building the drones and changing out, you know, the frequency hopping profile every night as the threats emerge.

Mr. Johnston: And it's working.

Hon. Lord: I mean, we can do it; we just don't have the mindset to do it right now.

Ms. Bartok-Touw: Back to capital, though – and I agree with all of your comments. I would say that we – there is more excitement about reindustrialization than ever. The team – the group of people who have pushed that concept are doing an incredible job and they have made it sexy, which sadly enough is extremely important to venture investors if you want to insource capital. So as long as that market stays sexy, if there are opportunities in which you're going to be able to show – and I wouldn't have said critical minerals or small modular nuclear would have done so well in the public markets. But as long as we're able to see tech-like multiples on the industrialized sector, you will have more – and then we see the customer, you will have more capital coming in. Which, to your point, is we absolutely need it if we ever want to be competitive globally.

Hon. Lord: And I think the good news is everybody's talking about it.

Ms. Bartok-Touw: Yeah.

Hon. Lord: The administration's doing a good job about talking about it –

Ms. Bartok-Touw: Absolutely.

Hon. Lord: – so people understand these things.

Ms. Bartok-Touw: Yeah.

Mr. Johnston: Yeah. I have to pause and thank Kari for helping pull together this panel, because I knew as soon as we had these four on it would be hard to harness but the time would go by really quickly. (Laughter.)

Hon. Lord: Take back control. (Laughter.)

Mr. Johnston: Yes. That was my attempt.

And so, you know, for the third theme, allies and partners, I know we're here to talk about patriotic capital. We're on the eve of our 250th anniversary of the Declaration of Independence. It's exciting times. But I want to turn towards: Where do allies and partners fit in this schematic? How do allies and partners become a force multiplier?

You know, I just spent the last couple months in Japan, where different themes are starting to emerge. You see some strategic autonomy taking

place, hedging, things that, you know, we want to figure out where do we play in this world.

So a question for the group and then we'll break it down individually. If strategic competition is coalition-based, should capital deployment also be coalition-based as well?

Hon. Lord: I don't think the issue is the deployment of that strategic capital to the coalition. I mean, you look at NATO, where you have all of these nations that don't have enough budget or enough of a demand signal to order something, so they go together; EU, the same thing. I think the U.S. has incredible technology, as well as a lot of our allies and partners. Yet, my belief is we overly constrain our ability to export the right level of that technology, and we all know that there are different levels of different systems that we can export.

I mean, AUKUS has made a few baby steps towards ITAR, you know, exemptions.

Mr. Johnston: But those are baby steps. Yeah.

Hon. Lord: Yeah. And I mean, you look at Australia, so geopolitically important to us with PACOM. I have to practice saying that now, with PACOM out there. Yet, we just can't, you know, do enough, I think, for AUKUS Pillar 2 to really get going on this.

So I think that's where the opportunity is. We have the mechanisms already to do this there. Mike Duffey has 36 acquisition bilats he does. He'll do six of them himself. But you know what? What is the constraint in terms of those project arrangements? I could bore you for hours with this stuff. It's the fact that we cannot agree as the interagency, particularly at the State Department, what we're going to give up. And I think we're fooling ourselves about thinking we're doing ourselves a security service, if you will, by not sharing and not making sure we truly have interoperable, interchangeable systems, and that we can fight.

Mr. Johnston: And these are longstanding issues.

Hon. Lord: Oh, oh, yeah, and I mean –

Mr. Johnston: I mean, the questions that I hear now are the same questions we heard –

Hon. Lord: Oh my God.

Ms. Bartok-Touw: And we're not a whole lot better.

Hon. Lord: LOWCLO and SAPCO, you know, go around and around. I mean, Dave Goldstein – (inaudible)– doing these with me.

Ms. Bartok-Touw: We see companies now strategically decide – I was talking with one munitions maker that has something that we don't have domestically here. And they were – they're based in Europe, and they were trying to figure out how to avoid ITAR. They want to sell to us. They'll locate something. I mean, obviously, we know the incentives here; you have to be local, you have to be building local. But companies are now using – thinking strategically about how do I avoid falling under this ITAR, you know.

Mr. Johnston: Yeah, absolutely.

Hon. Lord: And going elsewhere.

Ms. Bartok-Touw: Mmm hmm, absolutely, which isn't good for us.

Mr. Johnston: Kirsten, for you, how do you encourage more private investment across trusted allied industrial bases? Do you see that as an opportunity? Mina, I'd ask the same question of you.

Ms. Bartok-Touw: We definitely look globally. I think what you have to recognize is that Europe especially, but the Middle East is even further to some extent, are five to eight years behind where we are as a mature customer buying. You know, five years ago we talked a lot about new tech, but we hadn't brought it into exactly what did the specs of that drone or UAS look. And now we're to the maturity point where we know what those are. So we don't see that yet from our partners about how to incorporate into force projection. So we think it's an opportunity almost for next cycle, but given the size of the U.S. defense budget and the importance of being here domestically.

So I think over time we see it in the mature side of the historical A&D market that we buy from. They have components that we make. But we do need to, I think, recognize that there is definitely more energy and more maturity and more professionalism on the startup community domestically than outside.

Mr. Johnston: Yeah.

Mina.

Mr. Faltas: We only invest in the United States and U.S. companies for very specific reasons. But increasingly, we see a lot of scale and value that our companies can bring to other regions of the world. The conversations you were speaking about with Japan as a – as a partner and a customer, Korea as well, the GCC, those are very active conversations.

Mr. Johnston: And then, for David, where do you see this playing in? What at what point does OSC say not for us because of partner or ally involvement, or is that something that you take on a case-by-case basis?

Mr. Lorch: Well, look, so we're proudly America first. Our principal goal is to secure supply chains for the U.S. But there's a number of partner countries, allies who are developing their own financial tools, and in some cases we're finding opportunities to collaborate with them. And so I'm probably not supposed to get to specific names, but some of our good, good allies we're in active collaboration with as we speak.

Mr. Johnston: OK.

This is a great segue into Sage Bornstein with GovSignals. She asks: How can allies and partners – and she's already asked a question today – how can allies and partners learn from In-Q-Tel, OSC, and acquisition reform? Or, what does America first capital deployment look like? And how can we make needed and creative department award decisions defensible irrespectful of political winds? And I think this goes to a theme, Kirsten. You said: Will the trends last through, you know, politics?

Ms. Bartok-Touw: You know, when – and it's frustrating to watch it. We all know we have to move toward multiyear demand signals, and we don't know if we're going to get that approval in Congress. So it is – you know, historically I would say it's been a – you know, national security and a stronger U.S., and the threat coming from peers has been a nonpartisan issue. And it is sad that we're seeing, let's see, frustrations, maybe, with the other party get in the way of what we know are the right things that we need to do.

Mr. Johnston: Thank you for that.

Mina, any thoughts?

Mr. Faltas: No.

Mr. Johnston: No, you're good?

Ellen?

Hon. Lord: I'll pass.

Mr. Johnston: You'll pass. OK.

Hon. Lord: I always have thoughts, but I'll pass on this one.

Mr. Johnston: Yeah. (Laughs.) Then this is a long hour to discuss finance.

So we'll go into the next theme, the final theme, and then we'll kind of interplay on some of the iPad questions, which there's a lot of great questions; hoping to get through many of them. This is about protection and risk. Think national security guardrails. How do we protect the advantages we are trying to build? How do we ensure investments intended to strengthen competitiveness don't create new vulnerabilities? I know we talked about, what was it, reducing – or, increasing acquisition risk to reduce operational risk, but I'm talking more about some of the adversarial countries that get involved in our defense industrial base whether we know it or not. How do we look at this from a protective standpoint or from a risk standpoint as we open the gamut on capital investments?

Hon. Lord: Well, I think there's a lot of AI that's been used to illuminate supply chains to understand beneficial ownership to really get at, you know, is it Ellen's Garage Shop or is it the PRC. And this is important because of contract privity, where you typically have seven to nine levels in a supply chain. As the prime you can only see about two levels down, so you have no way of knowing who's buried down there in your supply chain. But now, through scraping a ton of open source and using information the government has, you can better understand who is supplying you and where their sources of funds are coming from.

The challenge is the technology is there, but how do you implement it? And this gets to one of the core issues I think we have with the Department of War or Department of Defense, is we don't always have the right rewards and motivations to have all of the individuals who should be using these tools, if you will, to use them. And even worse, they're not being educated on what the art of the possible is out there and how to do this. And this gets back to my mantra of we need to use the institutions we have inside of the department better to teach these real-life skills that are critical.

I would couple that with we have come up with a lot of rules which can seem somewhat onerous around cybersecurity. We now treat cybersecurity a lot like we treated quality 10 years, 20 years ago, where you had to go through audits and hurdles. That's absolutely imperative, because we're only as strong as the weakest link and we all see with major companies we work with you do an acquisition, they have one affiliate somewhere and you haven't quite gotten to look at their systems, and, boom, all of a sudden you have ransomware that's come in through that weakest link.

Mr. Johnston: I mean, it's an ecosystem. And, Kirsten, I'll go to you and Mina from a(n) investor standpoint. When you're making these decisions on who to back, how do you look at their resiliency from a state-sponsored actor perspective?

Ms. Bartok-Touw: Do you want to go first?

Mr. Faltas: Sure. You know, I think that one of the things that we are most concerned about are whether or not their employee base has been infiltrated by people who claim they're – (laughs) – you know, they're claiming that they're somebody who they're not. And you know, so we want to make sure our companies had the sophistication and the controls and the ability to do, like, identity verification above and beyond what a typical, you know, corporate in the enterprise sector would. So that's one of our highest priorities.

Mr. Johnston: Thanks for that.

Kirsten.

Ms. Bartok-Touw: I think it seemed to be a greater risk a few years ago where people had less concern over who their investors were and there was a naivete on, oh, well, they're a U.S. citizen, but maybe they, you know, spent their, you know, life up until, you know, at one of our peer adversaries. So people have gotten much more cautious about that, and it's coming from both sides, so I think we don't feel it is as much of a risk.

But the one thing all of us realize is that they are – our adversaries are incredibly creative, almost more so than we are, and the ways at which they come at us are things that we don't naturally think about. So we do need to be cautious, and we probably don't think about it enough. I don't – I think that we are not as creative as we should be about where the threats are coming.

Mr. Faltas: I would amplify that point. I think today people talk about trusted capital, and I don't think that's something that people spoke about, you know, like, a decade ago. And trusted capital means many things. It means understanding who the investors are and who's in the syndicate, right, and is that syndicate – not only do they have – are there potential bad guys in the syndicate, but can this syndicate be a great partner to the mission. Is it a durable syndicate? Do they have staying power? Do they understand the mission? And do they understand that there's budget cycles, but you know, the job needs to get done and the investment needs to get funded, you know, to the finish? And so this idea of trusted capital has really taken on life in – with both definitions.

Mr. Johnston: It's really an ecosystem, right? When you look at innovation, it's not only companies, it's not only VC and PE, it's not only grants coming from DOW; it's universities, right? It's individuals. And you have a question here: How do we reduce or stop capital flows into dual-use tech in adversarial nations? Just China's AI industry alone received over 40 billion (dollars) in U.S. funding

from 2017 to 2021, according to CSET, and that was Marcos Werning at RAND and DARPA. And it's not really a question; it's what we just covered, right? How do you think more holistically about these challenges?

Hon. Lord: Yeah. Well, I'd say countering foreign investment, the U.S. CFIUS, which is the process that looks at the acquisition of companies and even real estate now being purchased by potential adversarial capital that would compromise our national security, that's where we first started looking at these things, blocking transitions. And it's really complicated, because when you get the interagency around the table your point of view depends on the seat you sit in and who you are representing, because you have a different lens. If you are Treasury, you really want deal flow. You want money coming into the U.S. You are Commerce, you want U.S. businesses to participate with more transactions. You're, you know, DOW and you're more thinking about, oh, what's the intel briefing and, you know, who are these people, and let's look at the intel framework.

And there were quite a few I'd call spirited discussions just when I was in fighting about this. And, literally, if you're going to block a transition you have to go to the president. And we would be sitting in the Oval, or sitting in the Sit Room usually, and I mean, there was a lot of screaming and yelling going on. I think the public would be somewhat appalled at what was going on, but it was good. People cared about their positions.

But these are really hard things because it's the same issue we have now. You know, China's a great customer for a lot of U.S. companies. So where is that line? And it's very, very difficult sometimes to balance our economic security and our national security.

Mr. Johnston: Yeah, absolutely. And you know, as – I've seen these conversations play out on both sides. From a government perspective, a lot of times they say, well, these companies should be doing more on the risk side; the investor should be looking at risk more holistically than just financial risk. But on the private-sector side or investor side, they say, well, that's government's job, similar to what you said; it's a CFIUS role or other challenge. David, how do you see adversarial risk in OSC's authorities?

Mr. Lorch: So we make conditions for our financings. We talked about it briefly before, but we'll add conditions around the citizenship of board members, the citizenship of executives, the ability for the DOW to require output to be provided only to the United States, for example, including securing assets abroad – you know, mines and minerals that are abroad – and bringing them to the United States. And so from a corporate governance standpoint and a direction of supply standpoint is where – is where we're directly involved. And you know, the areas you talked about are all key department priorities,

some of which are managed by Emil in the Research and Engineering Department.

Mr. Johnston: Thank you for that.

Ms. Bartok-Touw: I think – can I –

Mr. Johnston: Absolutely.

Ms. Bartok-Touw: I think we are being naïve, though, because this has been a problem I've seen, again. It is relatively easy to get U.S. citizenship. There are visa mills. There are – so just being a U.S. citizen doesn't mean that you are not a nefarious actor sending information.

I also think that we are a very transparent tech industry. And venture capital and groups like Angel List, where there is no KYC, there are no limits on who can see things, the number of decks that are out there showing what capabilities people are building, you have to accept that we are very transparent. I worry about our lack of understanding of what capabilities our adversary has because we don't have that many, let's say, citizens of the PRC; we don't have that many – there aren't platforms investing in these, so they aren't as transparent; and that is a problem for us.

Hon. Lord: And I think, you know, we have to be very clear about the spectrum of warfare here. There are a lot of nefarious things that go on with our, you know, electrical grid or dams or, you know, this or that. So the spectrum of conflict, we have a lot of not-so-great things going on at a level –

Mr. Johnston: Already.

Ms. Lord: – that the average American has no idea there's a threat there.

Mr. Johnston: Yeah, no, thank you for that.

Here's a different type of question on risk, and I appreciate it. It's from Mike W. He asks: How does the threat of continuing resolutions affect the financial models we've been discussing? What are the worries on your side? And then we'll kind of take it from Kirsten on.

Ms. Bartok-Touw: It's a huge risk. It's the biggest gift you could give to the PRC, like, to have these continuing resolutions. We have so many – and the war has hurt us even more. You guys are all sitting in the same shoes. We hear from so many offices they are out of money, and unless there's a supplemental they won't have anything to spend. So it is the greatest tool you can give to our adversaries, having to continue with, you know, CRs.

Mr. Johnston: Mina, same.

Mr. Faltas: It doesn't – I mean, from a macro perspective and actually political perspective, I agree. You know, at a micro perspective, like, look, we're going to back the companies that that need to deliver. As I said, it's inevitable that they'll get funded. And you know, we are enduring capital. We don't have to return our capital at any point in time. We don't use leverage. So we can – we can outlast, you know, these dynamics.

Hon. Lord: I think CRs add an incredible amount of inefficiency. And there's a huge hidden cost there with no new starts except, like, anomalies and so forth. So I think Congress needs to get back to regular order and pass these bills. The rest of us figure out how to compromise on things, and so does Congress.

Mr. Johnston: Thank you for that.

David.

Mr. Lorch: Nothing to add.

Mr. Johnston: Nothing to add, OK.

Hon. Lord: And no upside on that one. (Laughter.)

Mr. Johnston: I'm just rolling into the questions here. Why is biotechnology absent from this conversation when China's own industrial policy treats biomanufacturing as a strategic priority alongside semiconductors and artificial intelligence? This comes from Heather Courtney, a general partner with Alwyn Capital. I'll leave that to the group.

Hon. Lord: It's a threat.

Mr. Johnston: It is, yeah.

Hon. Lord: I mean, we haven't – we haven't talked about a lot of different threat vectors, but you know, all it takes a little quadcopter with a little special substance and a whole city can be wiped out. So a lot of that I will say is handled at classified levels, but it's a pretty active effort from my point of view.

Mr. Johnston: Yeah. I mean, this conversation could be three hours if we're to talk about every point of strategic competition.

Mina, your thoughts?

Mr. Faltas: Nothing to add.

Mr. Johnston: Yeah. OK.

Ms. Bartok-Touw: I would say I think this administration has put money towards this. It's a real risk. They've started to work it. Most here don't hear us speak about it because as an investor base you tend to have to have expertise in your area. So we're – well, we're more A&D-focused, we're more cyber-focused, where there are health-care investors or people who focus on that side. So that's part of their conversation.

Hon. Lord: And you know, Customs and Border Patrol is doing some really interesting things looking at transshipment, so people trying to send stuff to the U.S. and those are not people that we would usually or areas where we would accept things. So they ship it somewhere else, somewhere else, somewhere else, and finally it comes in. There is a lot of AI now to really go back and scrape an incredible amount of information.

Mr. Johnston: Bill of lading, all – yeah.

Hon. Lord: And they are actually taking action every week now on multiple transshipment issues. That wasn't happening a year ago.

Mr. Johnston: OK. Thank you for that.

All right, we have four minutes left. That leaves a minute each. You don't have to take the full minute, but, parting thoughts. First, start with one word of how you're feeling about patriotic capital today and then some parting shots. David, we'll start with you.

Mr. Lorch: Well, I'm just so thankful to be serving under President Trump and Secretary Hegseth and Deputy Secretary Feinberg. I think they've completely revolutionized the War Department. It's a completely different institution. We're moving incredibly fast, getting an incredibly amount done, and it's all thanks to the sponsorship of President Trump and the team that he put in. And we just want to achieve his objectives, which are so important to the country. And we're so grateful for the support that he's provided and all the – all the success that Secretary Hegseth and Deputy Secretary Feinberg have achieved.

I mean, completely different relationship between the War Department and the private sector. Completely different contracting with primes. Completely different contracting with sub-suppliers. The achievements are incredibly massive and will pay massive dividends in terms of the national security of the country. So grateful for Secretary Hegseth and Deputy Secretary Feinberg's service.

Mr. Johnston: Thanks for that, David.

Ellen.

Hon. Lord: My one word about patriotic capital is "optimistic."

Mr. Faltas: My one word is "team sport." I don't think the government can do it alone. I don't think private capital can do it alone. I believe that government, private equity, VCs, neoprimes, primes, systems integrators, big tech all have to work together for the best outcome for the taxpayer and the U.S. citizen. I think it's really tough for the government to do that all by themselves. And to the extent every member that I just – you know, every stakeholder that I listed can bring that together and the best capability to solutions together, you know, I think we get the best outcomes.

Mr. Johnston: And we're moving in the right direction.

Mr. Faltas: Definitely.

Mr. Johnston: Kirsten.

Ms. Bartok-Touw: I'm in the same camp, optimistic. I mean, we're much further along than we were. Like it to be more bipartisan. We know the problems. We know how to fix them. And I do think people feel more empowered than they ever have. And you know, we – previously we'd said that the only way the acquisition system would get changed if we had a war. And I think that this has proven that you can make some of those cultural changes, you can empower people, you can give them more agency, and with that that there is a lot our servicemembers and, you know, government officials can do.

Mr. Johnston: Well, my one word is "grateful" to the panelists. Thank you very much. If you could join me in a round of applause. And thank you. (Applause.)

(END.)