

**“Fostering American Innovation: Insights into  
SBIR/STTR Programs”  
February 26, 2025**

*Hearing before the House of Representatives  
Committee on Small Business*

*Prepared Statement by  
Cyrus Miryekta  
CEO  
Ravelin US*

.....

Thank you, Chairman Williams, Ranking Member Velazquez, and Committee Members for inviting me. I’m here to discuss Chinese Communist Party Exploitation of American Innovation as it pertains to SBIRs.

America’s plan for military dominance against peer adversaries in case deterrence fails, is called an offset strategy. We have historically had three such strategies. The First Offset was nuclear weapons. The Soviets tested their first nuclear weapon in 1949 and America lost that advantage almost as quickly as it was obtained and was forced to develop a new plan. The Second Offset was networked warfare where air, ground, sea, and space forces were integrated and our precision munitions were highly publicized. Modern Russian and Chinese military strategies are largely responses to this strategy that they witnessed in Gulf Storm, which is also why Russian electronic warfare is so advanced in the Ukraine today.

Today we are on our Third Offset Strategy: the attainment of military superiority through rapid incorporation of the most cutting-edge innovations. This explains why Defense Innovation Unit, AFWERX, SPACEWERX, Army Futures, NavalX and all the innovation lines of effort are so robust and exalted within the DoD and commercial industries. This strategy was disclosed publicly by SecDef Chuck Hagel in 2014. Sadly, our foes not only heard but also believed us and they have been exploiting our innovators as a result. Despite this, we have not given up on our Third Offset, and Small Business Administration plays no small role in buttressing this strategy, nurturing innovators to give America a war winning edge. American innovators—often small businesses run by people in their late 20s wearing casual clothes—are unwittingly the vanguard of our ongoing battle with the Chinese Communist Party (CCP). Unfortunately, these accidental warriors are not receiving the support to rebuff these attacks that their strategic importance merits. The nature of the startup world is such that these companies are always searching for investment into their companies to keep these companies solvent. They have high overhead costs and high risk



of failure. They must find investors, or their companies and the nascent technologies cannot survive. Into this ecosystem our adversaries are pumping in tremendous amounts of investment money in the hopes of transferring the technologies for themselves. Our national security strategy depends on these companies engaging in national security strategic thinking when what they are built for is innovative engineering. What these companies need is for someone else, someone who has this strategic skill set, to help them.

I have proudly served my country for 16 years. First, I was a paratrooper in the 82nd Airborne. I deployed to Afghanistan from 2002-2003 and in Fallujah, Iraq from 2003 to 2004. I completed my undergraduate and graduate degrees using the GI Bill. Then, I became a federal criminal investigator with the Air Force Office of Special Investigations. In this capacity I spent almost ten years in Silicon Valley providing counterintelligence support to innovators, VCs, Fortune 50 companies, and academics. I set up the counterintelligence programs at Defense Innovation Unit, AFWERX, and SPACEWERX. For my impact to national security, I have received an unprecedented 9 national intelligence awards. These experiences inform the business I currently run.

I founded Ravelin US, an advisory firm to help innovators navigate foreign ownership, control, and influence (FOCI) issues and assist in transitioning from SBA grants to long-term service contracts. There are far more lucrative markets to service than cash-strapped innovators, but because this is America's key battlefield in preparing ourselves against existential threats, that is where we placed ourselves. Many innovators find themselves taking on adversarial nation states alone. Ravelin US was created to change that.

## **Threat Landscape**

American innovators' impression of CCP threats has evolved over the last twelve years. In 2012, people trusted the US government and innovators tended to be open and transparent. Then, in 2013, leaks about US digital surveillance led trust to drop to an all-time low. Some innovators even began equivocating the US and the CCP. But the CCP is currently committing its third genocide in sixty years, targeting the Uyghurs in Xinjiang, among others. Three genocides in sixty years betrays an apparatus of murder that has been deeply institutionalized with performance standards, regulations, and likely even awards for running an effective genocide. And yes, investors funding genocide-enabling technologies also invest in dual-use SBIR recipients. While the US and the CCP are not alike, we were having trouble making our case.

In 2018, the DIUx China Study was released. It boldly named specific CCP investors in Silicon Valley. This was a boon to American technology protection. This paper created buzz, but some were skeptical. Then, Stanford University published Larry Diamond's *China's Influence and American Interests*, which changed the conversation. This gave technology protection credibility and legitimized the mission.



Since 2018, CCP affiliated capital has carried a stigma amongst investors, not necessarily because the CCP is seen as illegitimate, but, rather, clean American capital is a differentiator. The CCP has low standards for investment and is fast and loose with large sums of cash. It calls the competence of innovators into question who do not, or cannot, obtain clearly Western capital.

In response to this new and more difficult environment to exploit, adversarial nations deploy three strategies for continuing to steal our innovation. First, they work to infiltrate companies with human assets. Second, they work to secretly funnel their investment money into emerging technologies. Finally, they have learned to use our own systems against us and will sometimes feign association with technologies to try to get us to sabotage our own innovation.

The CCP's ability to recruit human assets is very impressive. One example I came across, to illustrate the point, is a Chinese national who fled China after having been a protester during the Tiananmen Square Massacre on June 4th, 1989. He found great success in America. Then, over 30 years later, the United Front Work Department recruited him.

Another CCP strategy for getting their foot in the door of US innovators in order to transfer our technology is by funneling investment funds first through allies in order to obfuscate their origin. Phantom Space, an early stage launch vehicle developer led by one of SpaceX's original employees, Jim Cantrell, received a \$2m investment from a Caucasian Canadian venture capitalist. After some time this VC attempted to oust the founder, Jim Cantrell. When Ravelin US investigated, we found \$1.95m of the \$2m investment from this Canadian was from a CCP tech transfer investor who had previously moved a robotic-biotech company to a tech park in Shanghai. A non-diversified investment like this shows nation-state behavior, not profit-driven investor behavior. A recording of the CCP backed VC was obtained. When most people commit a crime, they distance themselves from it or talk about it in the third person. This gentleman said, and I quote, "the fraud isn't my favorite part of my personality." He embodied the fraud.

Many argue that the danger of adversarial capital is minimal because the threat investor lacks access to the innovator's due diligence and technology. However, they overlook that an adversarial nation-state does not need any of that information. They merely need the names of people working in the innovator to effectively target it. Contract information is a bonus. The CCP obfuscates its actions by signing SAFE agreements. These agreements promise equity later, meaning they have 0% ownership now, but in time can become owners. Access to the innovator is enough.

Finally, if there is a technology that our adversaries cannot obtain but want us to also not develop and exploit they will sometimes attempt to sabotage a company. They do this by seeding "evidence" that a company has FOCI problems so that we flag them and deny



them lifesaving SBIR grants. This higher level of sophistication requires a very nuanced level of understanding the threat landscape to counter.

One self-inflicted wound that we have and that our adversaries exploit is our fear of appearing to deny access to our companies on the basis of discrimination against minorities. Some of our companies feel pressure to accept certain investment or workers in order to not fall into damning charges of racism. We must be cognizant of this and not allow ourselves to be exploited because our civilization values humans universally.

### **SBIR/STTR Extension Act**

In July 2023 the SBIR/STTR Extension Act went into effect. This law requires that SBIR applicants receive a FOCI review by the US Government before being granted a SBIR. Before this law many innovators in industry did not take FOCI issues as seriously as they should have. The denial of SBIR awards based on FOCI issue compliance has been a great motivator for behavioral change.

The SBIR/STTR Extension Act has led to the creation of US government due diligence teams. Each Agency that has the power to award SBIR grants must now have a team in place that reviews each applicant for FOCI issues to ensure that the company is clear of adversarial threats to the technology being invested in. Having this tangible consequence to FOCI issues has helped companies clearly see the value in sanitizing and protecting their equities when otherwise not doing so would be easier and seemingly better for business. Companies are now able to point to the SBIR application process as a clear rationale for keeping a stronger national security posture over their innovations.

In this way the SBIR/STTR Extension Act has had a wonderful influence over industry culture. Other than a small cohort of patriotic innovators, most US innovators rarely act on national security interests. The lifestyle of a tech innovator is extremely demanding with work bleeding into nights, weekends, and holidays with off time having no clear delineation. The intense personal sacrifice for innovator success means they are moved above all by factors that influence company success. National security may be novel and interesting, but is not often the motivating factor for behavior. This changed with the SBIR/STTR Extension Act which went into effect in 2023, followed by the NDAA 2023 Section 872 and Executive Order 14083.

As late as May 2024, when speaking about FOCI due diligence requirements, industry met them with skepticism. By August 24, the FOCI-based denials for SBIR awards intensified and word spread. By December 24, innovators were realizing this is a real hurdle one must prepare for in advance and the awareness is only increasing.

In the past year alone, Ravelin US removed CCP capital from five US innovators. This used to be a more difficult and contentious activity. However now, because of the cultural shift



around FOCl issues, that has led innovators to accept that they must keep their innovations safe, it has become easier and less fraught. It used to be that when trying to remove adversarial agents or investments, there would be much resistance. However, now the innovators understand that they must get the CCP capital out or perish. Because the CCP investors do not want to incur additional reputational harm as a VC who has fallen into disrepute, they have also become more open to divesting, even at a loss.

CCP investors today seem pre-defeated. When an innovator needs to remove CCP capital because they have been flagged and barred, CCP investors have sometimes even meekly apologized. Some have even asked if we can sanitize them too! How does one begin to sanitize a fund that in origin was set up by the CCP? You can see why we always deny these latter requests.

### **SBIR/STTR Extension Act limitations**

Unfortunately, it is not always the case that the system works as it should. Out of all the agencies that grant SIBRs, there are only about 4.5 due diligence teams that are somewhat functioning, and that is being generous.

Most agencies tasked with creating due diligence teams have barely moved. It takes a minimum of 24 months and resources to create a semi-competent cadre. Since financial resources were not provided for this mission set, it seems most agencies intend to produce no results in the hopes of showing that the process does not work so that they are no longer asked to work this mission. Unfortunately, this is very misleading.

Another problem with the due diligence teams is a tendency to treat our innovators in an adversarial way. We cannot forget that the Third Offset Strategy depends on the innovators' success!

Finally, there is no single standard for the review of FOCl issues process. While some flexibility is good so that each agency can set some of their own processes and standards, it does cause problems from the point of view of the innovators who have a hard time meeting the divergent definitions of a clean company.

There is one standout team, however, that has been implementing the program exceptionally well. The team is in the Office of Special Investigations or OSI, run by Thomas Weiss. This due diligence program manages to be successful because their emphasis is not on finding non-compliance in order to penalize innovators. This team manages to keep their eyes on the bigger picture, which is that we should not pit ourselves against the innovators as if they are part of the problem. The innovators are our great assets, and the goal of the SIBR due diligence teams should always be to be helpers and partners to our innovators. Tom Weiss's team does not become emotional or adversarial. When a company is flagged by the OSI team for a FOCl issue, if they can prove that they have



resolved the issue, the company is rehabilitated. This company is not put on a blacklist, never to be able to win another SIBR grant again. The USAF and USSF aim to address FOCI issues. They want to protect technologies without stifling US innovation or harming innovators. Tom Weiss leads this team with great skill and often trains other elements of the US government. He has unparalleled insight into FOCI-SBIR issues from the government perspective and maintains the standards to replicate.

## **Recommendations**

1. Revise the Foreign Agents Registration Act. This law has changed twice. It is now so weak that only seven people have been prosecuted under it. FARA should be amended to expand the scope of CCP actors and their proxies. The penalties for masking adversarial investment should be steep. The CCP can easily generate \$90-300 million funds from thin air. FARA should add penalties for unregistered agents who engage in lawfare against Americans and their businesses. Foreign agents must clearly state who their limited partners are in their fund. If it is unclear through other funds, they need to reveal those limited partners too. They should also share their investment theses and point out any dual-use technologies they plan to invest in. Allowing prosecutors to pursue civil cases against CCP investors would curtail adversarial investment and financially benefit the United States.
2. Continuous Monitoring - The Committee of Foreign Investment in the United States (CFIUS) has had times of intense impact and periods of calm. One major issue is that CFIUS can thoroughly examine an entity, but once it clears the process, it is considered clean. Then, it can go back to transferring tech as before. We've seen this with SBIRs as well, where a US innovator will receive a SBIR and then take CCP investment after the award. A simple annual FOCI disclosure requirement could fill this gap.
3. Increased Resources: FOCI due diligence is required by two laws and an executive order. However, no resources have been allocated for this task. We know the Third Offset is vital for American power and future generations. Still, we haven't invested any money in it. Agencies rarely send their top talent on missions without resources and follow-up. Review the annual findings from the due diligence team. Look at the threats identified and the innovators cleared. Also, note the total amount of adversarial capital that was sanitized. Lastly, consider a national awards program for the most effective personnel and teams.

The Committee on Small Business can greatly influence American innovators and the whole US commercial sector. Many VCs require SBIR awards as a prerequisite for investment and the social value of the SBIR far outweighs dollar amount. When our systems are resolute, the CCP seems to abandon lawfare. An enemy on US soil aiming to weaken our Third Offset Strategy must not exploit our systems, knowledge, or expertise



without facing consequences. Those supporting this legislation are out front on a shoestring budget and protecting the very foundation of our Third Offset Strategy.

Thank you and I look forward to your questions.

