

STATEMENT FOR THE RECORD

U.S. HOUSE COMMITTEE ON SMALL BUSINESS

“Defending Main Street: Combating CCP Threats to America’s Small Businesses”

Wednesday, March 25, 2026

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Introduction

Thank you, Chairman Williams, Ranking Member Velazquez, and members of the committee for the opportunity to provide a statement for the record today. I have had the privilege of founding and serving as the President and CEO of Ozark Integrated Circuits, Inc. (Ozark IC) of Fayetteville, Arkansas, for 15 years. When I learned of today’s hearing, “Defending Main Street: Combating CCP Threats to America’s Small Businesses,” I felt compelled to share my story and ask for your continued support for small businesses like ours.

When I founded Ozark IC in 2011, my goal was to use my background in integrated circuits, electronics, and extreme environments to solve difficult problems. Before starting the company, I had studied ‘extreme environments’ – places where electronics typically cannot work because of excessive heat, pressure or other factors - at the Air Force Research Laboratory and startups, as well as in my graduate work at the University of Arkansas, funded by the Defense Threats Reduction Agency.

At Ozark IC, we’ve built a team of over 20 skilled professionals who now make chips for products in space, on jet engines, and even in downhole energy exploration. We have developed our technology through government programs such as the Small Business Innovation Research (SBIR) program. While the technical work is challenging, I never imagined that security and supply chain risks would be just as crucial to my company's success.

What has become obvious to me is that the U.S. develops the world’s best ideas, but because we don’t have the financial, political, and academic infrastructure to scale them properly, everyone else can - and does.

Arguments and Evidence

Starting a company is hard, and starting a high-tech company from nothing is not just hard – it sounds impossible. Yet, according to SBIR.gov, SBIR loans have led to the creation of

over 700 publicly traded companies and over 70,000 patents. Ozark IC is one of those successful companies, receiving its first award from NASA in 2012 . As our company used the program to explore the needs of high-temperature electronics, we found ourselves working across energy production (nuclear, oil and gas, geothermal) and aerospace, as well as hypersonics. We eagerly built prototypes and partnerships with commercial and university partners, which began to drive demand for a scalable product . This stage of development is typically called ‘the valley of death’ – and we quickly learned how difficult it can be to navigate and how easily companies can be taken advantage of.

In 2020, we learned from an FBI investigation that one of our university partners had been involved in a Chinese talent program. Working with the FBI, we learned we were lucky – our technology had not yet been stolen – but many others had. The Chinese government actively recruits people to take technologies – proven at the prototype level – and then patent and scale them in China.

As a company, we learned from this episode and developed a strong security program at great expense. We are very proud to be among the first several hundred certified at the Cyber Security Maturity Model (CMMC) level 2.0. We learned to be very careful in vetting our partners and investors. With a modest investment, we began to scale our technologies to production through our work with the Air Force, DARPA, and DOE, and continue to see success today as our company grows.

Recommendations/Proposed Solutions

Navigating a small business is hard - and doing so while under threat from adversaries and bad actors is unfortunately something every business owner must endure. We are constantly handed more rules from the government, but navigating security and compliance remains difficult and expensive to secure through private-sector means and the government itself offers only modest support

However, the biggest takeaway from our experiences is that our adversaries are *exploiting gaps in our patchwork funding for innovation*. The SBIR program is an incredibly successful engine of innovation for our country, but that’s just the start of a long journey. Our companies will remain susceptible to foreign influence and infiltration if we do not provide *pathways to scale from prototypes to production* (i.e., to cross the valley of death). SBIR brings companies from feasibility to demonstration. SBIR does not provide direct paths for companies to scale manufacturing-based technologies, e.g., semiconductors, into production lines and plants.

This ‘valley of death’ must be filled by directly connecting programs like SBIR to trusted sources of capital. And this could and should include true ‘Phase III’ funding from the

government, the private sector, or a combination of both. SBIR-funded companies could be streamlined into existing SBA programs, such as 7a, and should be given preference in acquisitions of military and government systems, putting them in the front seat for adoption. Finally, our companies need support. We have successfully built mentoring programs in Arkansas through the Science Venture Studio, where experienced entrepreneurs have the opportunity to guide new companies through these difficult phases. If we combine strategic capital with structured mentoring from experienced firms who have ‘been there’ we, as a country, could be an unstoppable engine of innovation.

Conclusion

While the U.S. does an amazing job (the best in the world) of encouraging and incentivizing innovative ideas and technologies, it completely drops the ball when it comes to helping U.S. companies (especially small businesses) turn them into products at scale. Other countries, especially China, have been taking our great ideas to turn them into large-volume products that they sell all around the world. And we help them do it. The U.S. MUST fix this! Moving great ideas into production is how we bring manufacturing back to the country – and, at the same time, provide widespread employment opportunities across the country, especially in rural states.

The SBIR program is truly America’s Seed Fund. But if we don’t build an explicit, secure path for companies to scale their technology with qualified partners and investors through and beyond SBIR, we’re leaving the door open for everyone else to take advantage of it. While the debate on ‘Phase III’ has endured for decades and left us with a patchwork of ineffective solutions across agencies and sectors, our adversaries continue to see opportunity – simply by providing the infrastructure (and capital) to scale that we are not.

A. Matt Francis, Ph.D., is the founder and President/CEO of Ozark Integrated Circuits, Inc (Fayetteville, AR). After graduating from Jenks High School near Tulsa, OK in 1998, he attained the BSEE, BS Physics, MS, and PhD degrees, all from the University of Arkansas, Fayetteville. At Ozark IC, he leads a team that develops high-temperature semiconductor computing solutions for energy, defense, aerospace, and space applications, and has served as a remote payload specialist for Ozark IC’s payloads on the International Space Station. He coordinates complex semiconductor (thin-film, thick-film, and packaging) supply chains, and serves in a number of advisory roles in industry. He served as a Region Director for IEEE, the Institute of Electrical and Electronics Engineers, from 2024-2025 (Region 5 USA Southwest), and is the current Vice Chair of the IEEE Industry Engagement Committee. He has served as a City Councilmember for the City of Elkins, Arkansas, for 8 years.