

**INVESTING IN AMERICA: HOW PRIVATE EQUITY
EMPOWERS MAIN STREET**

**HEARING
BEFORE THE
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX, AND CAPITAL ACCESS
OF THE
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INVESTING IN AMERICA: HOW PRIVATE EQUITY EMPOWERS MAIN STREET

THURSDAY, JUNE 5, 2025

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX, AND CAPITAL ACCESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building, Hon. Beth Van Duyne [chairwoman of the Subcommittee] presiding.

Present: Representatives Van Duyne, Bresnahan, McIver, McGarvey, Latimer, Conaway, and Goodlander.

Also Present: Representatives Williams, and Wied.

Chairwoman VAN DUYNE. We are going to go ahead and open our meeting this morning with our Chairman giving our prayer and our Pledge.

ALL. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Chairwoman VAN DUYNE. So, good morning, everyone. I now call the Committee on Small Business to order. And without objection, the Chair is authorized to declare a recess of the Committee at any time. Pursuant to Committee rules, I ask unanimous consent that Representative Wied be waved on to this hearing for the purpose of asking questions. Without objection, so ordered.

I now recognize myself for my opening statement.

Well, welcome to today's hearing, Investing in America and How Private Equity Empowers Main Street. And first, I want to thank our witnesses for all being here today. We know that you have traveled a long way to share your experiences and your perspectives, and we greatly value your time and your voice.

Small businesses are the foundation of our communities and the driving force of the American economy. And whether it is a family-run distribution center, a growing manufacturer, or a tech startup finding its footing, these businesses are responsible for nearly two-thirds of the new job creation in America.

In North Texas, we have seen how entrepreneurs and small family-run businesses alike can build long-lasting enterprises and often outcompete their larger counterparts. Today's hearing will explore how private equity serves as a critical tool in helping entrepreneurs gain access to capital and enjoy the benefits of a long-term partnership with investors that help them navigate challenging barriers with expertise and key resources.

From day one, the Trump administration has worked with congressional Republicans to roll back the burdensome regulatory red tape that for too long has blocked private capital from reaching the businesses that need it the most. And by removing those unnecessary barriers, we can ensure that investors and entrepreneurs have the ability to make crucial investment decisions in our communities.

In 2024, 85 percent of all private equity investments went to supporting small businesses. And these investments are driving local job creation, strengthening operations, and fueling business growth to new levels. Unlike traditional funding methods, private equity can bring more than just capital and allow businesses to scale up, adopt new technologies, and strengthen their workforce. Across every state and congressional district, private equity is empowering American entrepreneurs to build and expand their businesses from the ground up.

But for far too long, private equity has been concentrated in places like Silicon Valley, New York, and Boston. And now cities like Dallas and Austin are emerging as dynamic hubs for private equity investors and those seeking investment in small businesses. In fact, the downtown Dallas area represents one of the fastest growing innovation and investment corridors in the country.

And I am pleased to be able to hold this hearing today to highlight the role of private equity in the small business ecosystem and discuss how we can bring these opportunities to more Americans throughout the country. And thank you again for being here today and I look forward to the conversations ahead.

I now want to recognize the distinguished Ranking Member from New Jersey, Ms. McIver, for her opening remarks.

Mrs. MCIVER. Thank you so much, Madam Chair. Good morning to everyone.

Small businesses are an essential part of the American economy. They account for more than 40 percent of U.S. GDP, create approximately two-thirds of new jobs, and employ nearly half of all private sector workers. Financing and access to credit is a central component to starting and growing a small business. Traditionally, small businesses have been more reliant on bank financing for their credit needs than large businesses. But as we will explore today, in recent years, small businesses have increasingly relied on private forms of investment and credit to meet their financing needs.

As we heard at previous full Committee hearing in April, the SBA's SBIC program is a responsible and effective method for small businesses and startups to partner with private equity and venture capital investors. Currently, the SBA partners with more than 300 privately owned and managed SBICs to provide financing to small businesses with private capital the SBIC has raised through the SBA guarantee debenture.

As of 2024, the SBIC program has made more than 194,000 investments and deployed more than 130 billion of capital to small businesses. More broadly, private funds like private equity, private credit, and venture funds have become a critical component of our small business financing ecosystem, particularly those businesses that need retooling or just on the cusp of growth. For example, the

private equity industry invested in 18,000 businesses in 2022, 40 percent of which had fewer than 50 employees. Likewise, in 2022, venture capital activities surpassed the 200 billion mark, reaching 209.4 billion, making 2022 the second highest year ever for VC investment.

So while there is no doubt that the role private funds play in the American economy and America's small businesses is significant, these funds can also present significant risk for small businesses, their employees, and their communities. It is important to note that these funds have drawn significant criticism over the years for the strategies they at times choose to employ. And unfortunately, like with conventional bank loans, if we look at these numbers more deeply, the research demonstrates that women, minority-owned, and small business outside certain geographic areas have less access to private funds than their white-owned counterparts.

For example, Black and Hispanic female entrepreneurs receive less than 1 percent of all venture capital investments in 2022—in 2020, excuse me. That must change. Investing in all of America's small businesses and startups benefit not only those businesses, but the communities they service and our nation's entire GDP. I look forward to exploring all of these issues and more to ensure our private markets are appropriately regulated, transparent, and working for the long-term benefit of our small businesses and our employees.

With that, Madam Chair, I yield back.

Chairwoman VAN DUYNE. Thank you very much.

I now recognize the Chairman of the full Committee from the great state of Texas, Chairman Roger Williams for an opening statement.

Mr. WILLIAMS. Thank you, Madam Chair. Thank you for calling this hearing and also thank you to all the witnesses who have come here today, especially the ones who traveled all the way from the great state of Texas.

As a small business owner myself and an advocate for entrepreneurship, I have seen firsthand the critical role small businesses play, not just as job creators, but as engines of innovation and community development. From local manufacturers to family-owned retailers, small businesses drive the America's economy. Yet too often, these businesses face significant barriers when it comes to securing the capital they need to grow, compete, and reinvest in their business. So that is where private equity can play a crucial role. When done right, it is more than just an investment. It is a partnership in helping businesses scale up, hire more workers, and stay competitive in a growing marketplace.

Private equity is a powerful and at times misunderstood tool in this landscape. It can provide more than just funding. It brings strategic support, operational expertise, and long-term partnership. So for small businesses navigating complex markets and evolving challenges, that kind of backing can mean the difference between stagnation and scalable success.

Here on this Committee, it is our goal to ensure small businesses across America compete for private investments. When private investors look at small businesses outside of the traditional coastal elite hubs, everyone wins. Whether it is a rancher in Texas or a

banker—or a baker in Iowa, the entrepreneurs present a prime partnership opportunity for private equity firms.

So this is especially true in sectors critical to national security, like manufacturing. The revitalization of American manufacturing will ensure that American economy remains resilient. It also presents an opportunity for private investors to identify reemerging manufacturing sectors poised for growth.

So many small businesses may be at the stage where they are ready to seek private investment, but sometimes they may not yet be in a position to attract private equity investments. This is where the SBA comes into play. So just last month, I introduced H.R. 3174, the Made in America Manufacturing Finance Act of 2025, a bill that would raise the maximum SBA loan for American manufacturing from 5 million to 10 million. This will not only enable existing U.S. manufacturers to grow their business, it will help bring more manufacturing back to the U.S.

So this Committee, alongside the Trump administration and Administrator Loeffler, will once again prioritize policies that support Main Street America. Now we all can create an environment for Americans where small businesses can thrive and unleash the full potential of private equity investment.

So I want to thank again the witnesses for being here. I want to thank my colleague Congresswoman Van Duyne for holding this hearing, and I look forward to our conversation ahead. Thank you.

Chairwoman VAN DUYNE. Thank you very much, Mr. Chairman.

I will now introduce our witnesses. Our first witness here with us today is Mr. Jordan Bastable. Mr. Bastable is the cofounder and managing director of LongWater in Dallas, Texas. Mr. Bastable co-founded LongWater in 2009 following years of experience as a consultant with FTI Consulting and as a senior finance manager with Lineage Power. Prior, Mr. Bastable cofounded a private investment firm while he was still in college, while also working for a multibillion-dollar million hedge fund where he gained experience in day-to-day operations, deal flow, and investment management aspects of running an investment firm. Mr. Bastable graduated from Texas Christian University—

Mr. WILLIAMS. Go Frogs.

Chairwoman VAN DUYNE.—where he earned a bachelor of business administration. Thank you for joining us today and I am looking forward to our important conversation.

Our next witness here is Ms. Sarah Fields. Ms. Fields is the chief executive officer at Jetta Corporation in Edmond, Oklahoma. Ms. Fields joined Jetta Corporation in January of 2015 with decades of experience in business development and marketing consumer products. She previously served as a senior vice president and then as president at Century LLC. Ms. Fields graduated from Cameron University with a bachelor of sciences in engineering technology and earned her master's of business administration from the University of Oklahoma.

And thank you for joining us today and I am looking forward to today's important conversation.

I will now recognize the Ranking Member from New Jersey to briefly introduce our last witness appearing before us today.

Mrs. MCIVER. Thank you, Madam Chair. I would like to introduce Ms. Senofer Mendoza, cofounder of General Partner of Mendoza Ventures, a Boston-based Pre C, fintech, AI, and cybersecurity venture capital firm. After having a career in enterprise sales and hospitality design, she began Mendoza Ventures to address the growing funding gap in the pre-C investment stage. The firm was launched in January of 2016 and invested in internationally in the cybersecurity, AI, and fintech space. She is a published author, innovator, and thought leader in the technology startup and VC space with a passion for equity and diversity.

Ms. Mendoza, thank you for appearing before the Subcommittee today. We look forward to your testimony.

Thank you. I yield back.

Chairwoman VAN DUYNE. Thank you. We appreciate all of you being here today.

And before we begin, I just want to give you just a little bit of background. Where do we go? I want to remind you of the testimony and you have 5 minutes. The Chairman is much more strict than I am. At 5 minutes he will cut you off, but you are going to hear me just kind of wrap a little bit at 5. So just try to hurry up and finish your testimony and conclude it.

So I want to recognize Mr. Bastable for his 5-minute opening remarks.

STATEMENTS OF MR. JORDAN BASTABLE, CO-FOUNDER AND MANAGING DIRECTOR, LONGWATER; MS. SARAH FIELDS, CHIEF EXECUTIVE OFFICER, JETTA CORPORATION; AND MS. SENOFER E. MENDOZA, FOUNDER, GENERAL PARTNER, MENDOZA VENTURES, NATIONAL ADVISORY COMMITTEE FOR INNOVATION AND ENTREPRENEURSHIP

STATEMENT OF JORDAN BASTABLE, CO-FOUNDER AND MANAGING DIRECTOR, LONGWATER

Mr. BASTABLE. Chairman Van Duyne and Ranking Member McIver and Members of the Subcommittee, thank you for holding this important meeting today. It is a topic I am very passionate about.

My name is Jordan Bastable and I am the cofounder of LongWater Opportunities, a private investment firm focused on the lower middle market. I also serve on the board and council chair of the Small Business Investor Alliance, which represents funds that invest and support the growth of small businesses across America.

Our journey began in 2009 with two complementary perspectives: one rooted in the experience of operating a family-run business in rural America, grappling with succession and capital constraints; the other is shaped by exposure to large private equity firms and the untapped potential in unserved markets. Together we saw an opportunity to invest in small family-owned businesses, especially those lacking succession plans and access to institutional capital.

Our first investment, we approached over 20 banks before finally securing financing. However, under restrictive terms. That experience revealed a larger truth: small businesses consistently face systematic barriers to growth capital and those barriers are especially

acute in underserved markets. Today, LongWater has offices in Fargo, St. Louis, and Dallas. We provide a range of investment solutions from controlling equity to direct loans. But we are more than capital providers. We are partners. We support our portfolio companies with strategic guidance, operational expertise, and access to networks they may not otherwise ever reach. We help businesses scale, professionalize, and thrive. This is not transactional, it is relational.

Let me be clear. The idea that private equity succeeds when businesses fail is simply false. In the lower middle market, success comes from helping small businesses grow into larger, stronger enterprises that create lasting jobs and value. Let me give you an example. We invested in a small business called Excalibur Container. We take shipping containers and convert them to ground level offices you might see at construction sites or energy sites. We came into that business and really helped provide financial visibility for the business, expanded benefits, instituting 401(k)'s, comprehensive health care, tuition reimbursement, and programs for continuing education.

We also invested in the infrastructure, including cleaning up and rehabbing old abandoned industrial sites and investing in new capital equipment. We also invested in modernizing their digital marketing strategy and bringing skills and expertise that didn't already exist and that they did not have the capital to invest in.

This is what aligned private capital looks like: capacity building, local empowerment, and economic revitalization. Good public policy should expand, not restrict, the capital options available to small businesses. Whether it is a startup fighting for market share or a second generation manufacturer navigating succession or a rural enterprise facing technological disruption, private investment is often the bridge between survival and scale. In today's climate where traditional financing is often constrained, private capital is not just helpful, it is essential.

I look forward to working with the subcommittee to ensure small businesses can access this kind of value-added capital that helps them grow higher and succeed for the long term.

Chairwoman VAN DUYNE. Thank you very much.

I now recognize Ms. Fields for her 5 minutes opening statement.

STATEMENT OF SARAH FIELDS, CEO, JETTA CORPORATION

Ms. FIELDS. Chair Van Duyne, Ranking Member McIver, and Members of the Subcommittee, thank you for inviting me to speak today. My name is Sarah Fields and I serve as the CEO at Jetta Corporation. We are a U.S.-based bathtub manufacturer and have been business for about 45 years, located in a suburb of Oklahoma City. We have about 60 employees and generate about \$20 million in annual revenue and we have been partnered with lower middle market private equity firm for about 2-1/2 years. I want to share how that partnership has truly been an accelerator for our business, not just by providing us capital, but bringing to us expertise, support, and the kind of involvement you may not expect from private equity.

We partnered with a smaller, more specialized private equity fund that focused on U.S.-based manufacturing. For them, a small

business like us is not just one of many. We are a big deal. That means we get direct access to senior partners, senior partners that have manufacturing operations expertise. They help us make quick decisions and they are people that are willing to roll up their sleeves and come work in our business with us to help us solve problems and move forward quickly.

Within the first year of their support, we have led to a 10 percent increase in production capacity and 8 percent increase in our efficiency thanks to major improvements we were able to make in our factory layout and our processes. They also helped us uncover about \$350,000 in annual material savings. That is a massive change for us and is really significant to a small business like us. We are now reinvesting those gains in improving our workplace, updating our facilities and workstations to improve retention, which is critical in our manufacturing environment.

In addition, these operational improvements have made us more competitive with much larger companies. We are now gaining market share, improving profitability, and reinvesting in our growth.

One of the biggest advantages for private equity for us has been access to capital for acquisition, not just having to grow organically. Without private equity, this would not have been attainable for us. In the next six months, we plan to acquire a second manufacturing facility, which will allow us to expand our geographical reach, shorten delivery times, and serve a much broader customer base across the country.

We are also in the process of restoring the production of bathtubs we currently import. That move will help us improve our supply chain resiliency and quality control. It will also allow us to expand, making more American-made products. As a result of that, we expect to be able to increase our workforce about 30 percent over the next 18 months.

Private equity partnership for us and for me personally has been transformative. It is helping us grow faster, operate smarter, and create jobs, all while staying true to who we are, a small American manufacturer, and staying true to our values and our culture.

Thank you again for allowing me to share my story. I am super excited to be here and happy to answer any questions you may have.

Chairwoman VAN DUYNE. Thank you very much.

The Chair now recognizes Ms. Mendoza for 5 minute opening remarks.

STATEMENT OF SENOFER MENDOZA, FOUNDER, GENERAL PARTNER, MENDOZA VENTURES AND THE NATIONAL ADVISORY COMMITTEE FOR INNOVATION AND ENTREPRENEURSHIP (NACIE)

Ms. MENDOZA. Thank you, Chairman Van Duyne, Ranking Member McIver, and Members of the Subcommittee for the opportunity to speak on the necessity of entrepreneurship as a cornerstone of American competitiveness today. I am pleased to testify today as the founder and general partner of Mendoza Ventures, a privately held venture capital firm investing in AI, cybersecurity, financial technology, and dual-use companies, and the founder and executive director of Mendoza Impact, our philanthropic arm.

My family has lived the American Dream. We are self-made entrepreneurs who built a venture capital fund out of a technology exit. We live in the perspective that we are all trying to promote fiscal responsibility, innovative technology, and employing Americans to their absolute best capacity. Since 2016, our little fund has deployed over \$30 million into the American economy, sustained 15 portfolio companies, generated more than 550 sustainable full-time jobs, created 140 million in revenue for our portfolio in 2024 alone, and made essential technology for our nation's tech stack in both the government and the private sector. We have funded veterans, women, and several minorities. In fact, our portfolio looks a lot like the demographics of our great nation.

We have co-invested with some of the largest financial institutions in the world and we have exited four companies, creating generational wealth for other American families through our company. We are philanthropists who mentor the funds and founders following our lead. This is the place where wealth is generated. Access to the American Dream is through private equity. Over 50 percent of millionaires attribute their success to the growth and scale of a family or privately held business.

It is proven that liquidity constraints hinder access to entrepreneurship. If you want to send a rocket, you need to build a launchpad. You cannot disassociate main street stability from our nation's entrepreneurial ecosystem. They are completely intertwined. Venture lives in this capital stack, creating wealth where others won't. And the introduction of mega funds into an industry where the average fund size is 35 million, coupled with a slowing IPO and M&E market, means less capital for smaller firms and less smaller firms.

Since 2021, 25 percent of all active venture capital firms have closed. More capital is going to fewer firms, cutting out the middle later, and that money is not going to make it to main street. In contrast, A16Z closed 7.2 billion and just announced a \$20 billion mega fund. Funds like us enable main street in a way that the mega funds do not. If you're deploying that much capital, you have to write a larger check to get it out in the typical 5- to 10-year period. So a startup trying to raise today, like my colleagues here, are facing fewer firms. And venture capital is facing the same statistics that we are seeing among the population of a growing wealth divide.

Out of 91 billion deployed in Q1 of this year, 40 billion of that went to OpenAI, another 4.5 billion went to the runner-up, Anthropic. Now, take into account that the two funds leading those rounds share many LPs, endowments, foundations that have invested in them, and you see that we have a growing concentration risk in the venture capital ecosystem.

In finance, when we have a really big problem, we like to call it an opportunity. Failure is learning. And if you can fail fast, you can learn and implement fast and beat the odds. Eric Ries famously says success is not delivering a feature. Success is learning how to solve the customer's problem. So the SBA has to empower and not extract. We need to start building more launchpads in more areas of the country in order to be able to launch more rockets.

And I will use two examples on that. One is the proposed CDFI cuts that we are discussing today. If anything, we have not pushed it out hard enough to really be able to meet the need of small businesses. And the other example I will use is the great SBIC program. We went through this process and at the end of the process, in order to partner with the fund, there is a legal bill of about 100- to \$150,000. For a seed stage fund that is an investment in an entire company.

And so there is a couple of things that we can do. Instead of making sweeping cuts, we can tweak what we have. What we have is working. We just need to iterate on it to meet our small businesses and our smaller funds where they are today, so that they can access it. The SBI could standardize legal docs, like Carta and Y Combinator have put into practice. You don't need to cut something that just needs another iteration to thrive and to help our nation thrive. If we do not listen to the business owners we serve, we are damaging our own cause.

We need to build an innovation economy in America. When that happens, entrepreneurs everywhere have capital and opportunity. Entrepreneurship everywhere for everyone, that is the American Dream.

Chairwoman VAN DUYNE. Great. Thank you very much.

We will now move on to the Member questions under the 5-minute rule, and I recognize myself for 5 minutes.

Mr. Bastable, private equity has proven to be a powerful tool for helping small businesses grow and succeed historically. So these investments, though, that we have largely seen and concentrated in hubs like Silicon Valley, I think that trend is finally ending. I think in Texas 24th District alone, we have got 180 private equity-backed businesses. Investors like yourself are looking towards businesses in Texas. And as capital begins to shift toward emerging markets, firms like yours are at the forefront of that transformation.

So can you speak to us about how your firm is helping bring investments into cities like Dallas and what impact that has had on some of the small businesses that you're working with?

Mr. BASTABLE. Yes, absolutely. Thank you for the question.

I would start by saying, you know, when you look at where our company is based, Dallas, St. Louis, and Fargo, they are not traditional finance hubs. And even a city like Fargo, people often ask why are you in Fargo?

Chairwoman VAN DUYNE. I was going to ask, why are you in Fargo?

Mr. BASTABLE. Because there is great opportunities and it is an underserved market, and it is unbelievable the number of opportunities that are seeking capital and just do not have access to capital in those part of the markets. And one of the things that is just interesting about the lower middle market is it is a relationship industry. They want to work with people that are committed to helping them grow and share the values of that long-term growth. And so I think it is really important that these businesses and these capital providers continue to be in the markets and the locations where they are planning to invest and understand the people and the values of those communities.

Chairwoman VAN DUYNE. I used to live in Minot, North Dakota. At that point in time, it was long ago, it was not exactly a hub for economic activity. We had the Air Force Base there and that was about it. But tell me, do you have any stories of some of these businesses that you've worked with, success stories, failure stories?

Mr. BASTABLE. Absolutely. I can tell you, in North Dakota, for example, we invested recently in a garage door manufacturer in North Dakota. We just opened up a railcar servicing location in rural North Dakota and are planning to open up several more. And these are just examples of, you know, opportunities where the larger private equity firms, they don't often want to fly and travel to these parts of the country because they are difficult to get to. And sometimes, you know, in reality, it is hard to find and retain talent and grow in those parts of the market. But with investments in educating the talent and training the talent, there are really great people in those communities who want to work at those businesses and can drive value.

Chairwoman VAN DUYNE. Excellent. Thank you very much.

Ms. Fields, as you testified, private equity offers far more than just capital. It provides hands-on support, strategic guidance, expertise in fields that you may not have necessarily within your own company. It is a partnership that is between investors and the small businesses, with each party, I think, focusing on achieving success. We all are on the same page.

How has private equity investments helped you grow your business? You talked a little bit about that, but I would like to hear you expand further on areas like operations and workforce expansion and whether or not you've been able to enter any new markets.

Ms. FIELDS. Yes, thank you for the question. And as you mentioned, it has been a true partnership for us, not just access to capital.

Initially, when we first were owned by private equity, the main thing that they helped us do is quickly understand how to create a more efficient operation. We did not have as much expertise as we needed to understand what that meant. So for them to quickly come in and help us understand how to re-configure our plant, how to make best use of the equipment that we had, not necessarily putting all new equipment into the facility, but making sure we were making the best use of that, and also how to make sure that we were using a labor that we had efficiently and using the inputs efficiently for us. That was the first thing, making sure that we could be as efficient as possible and allow us to compete on a level playing field.

Secondly was about reinvesting back into our people. And for us, what that meant was making sure that we could make our work environment more pleasant to work in. Sometimes manufacturing can be a little bit harsh, and that makes it really hard to keep and retain employees on the manufacturing floor. There are some things that we really wanted to do before we had a private equity partner to make our work environment more pleasing to work in, and we weren't able to. We have since been able to do that. That has been exciting for us.

Recently, we have expanded by taking market share and have expanded our business about 40 percent in the state of Texas—

Chairwoman VAN DUYNE. Great.

Ms. FIELDS.—which is a large housing market. We serve the housing market, and we are presently in a year where we are growing about 15 percent. So we are very excited.

Chairwoman VAN DUYNE. Great. I love to hear it.

I am going to now recognize Ms. McIver for 5 minutes.

Mrs. MCIVER. Thank you so much, Chairwoman.

Mrs. Mendoza, small businesses have historically relied on two main sources to secure funding: approaching a bank for a loan or attracting investors. Why might a small business choose to seek investment from a private equity or a venture capital fund over a bank loan?

Ms. MENDOZA. Revenue. I mean, they oftentimes don't meet the revenue requirements or the historical balance that you need in order to be able to get the service and the terms that you require from a bank. And so what we see is that the way that our financial system works, you need on ramps and off ramps. So a lot of the products that we invest in are around getting small businesses and individuals bank ready. So what can they do to get there? And so venture really fills that gap.

I think one of the beautiful things about this table is you have the entire capital stack sitting here and we are all agreeing. One of the innovative technologies that we are investing in is solving a lot of the manufacturing issues that you have with digital twinning and going all over the country and the world, making those communication cycles much faster. Their revenue is not at the point that they could go to a bank loan and invest deeply in that technology to be able to get to the revenue that they need to grow.

Mrs. MCIVER. Thank you. During my opening statement, I talked about African-American and Hispanic female entrepreneurs and how they receive just 0.43 percent of all venture capital investment in 2020. As a venture capital investor, why do you think it is so hard for these entrepreneurs and small business owners to access equity finance opportunities?

Ms. MENDOZA. I think the beautiful thing about bias is it works two ways, right? Everyone is more likely to hire someone from wherever they are from. And our capital stack at this moment, especially in the area of venture, is really homogenous. So as you go up into the general partnership of VC firms, there are fewer women, there are fewer people writing the checks.

One of the reasons I started this firm was I was in corporate and I had kids and it was hard. Like nothing illegal happened, but my basement—you know, my desk was magically in the basement as soon as I told them I was pregnant. And so I realized very quickly it was not going to change unless the money was coming from women, that we couldn't implement the changes that we needed unless we had a capital stack that was more reflective of our nation. Fast forward a few years, we have done a lot of that.

Mrs. MCIVER. Thank you for that. For these entrepreneurs and small business owners to receive more equity financing opportunities, there obviously needs to be more opportunities to forge important networks with venture partners that are likely to invest with

them. What recommendations do you have for how we here in Congress can help expand these networks?

Ms. MENDOZA. I had a small business in Boston recently tell me that workforce development and networking was the government's version of let them eat cake. It was Boston, so he was a little harsh with his words. But what I think is we need to consistently partner the capital and the training and the networking at every single step of the capital stack in order to be able to scale these businesses. I think we keep trying to legislate the quick fix or the next thing or the thing that we can get done this year, this session. But this is a long-term approach solution that we need to implement over time. We have been moving in this direction for 20 years and I think we will continue moving here.

Mrs. MCIVER. Thank you for that.

Madam Chair, I yield back.

Chairwoman VAN DUYNE. Thank you very much.

The Chair now recognizes Mr. Wied from the great state of Wisconsin for 5 minutes.

Mr. WIED. Thank you, Chairwoman Van Duyne, and thank you to all of our witnesses for testifying here today.

Access to capital is essential for entrepreneurs to start or expand their business. Yesterday we heard from Administrator Loeffler, whose testimony spoke to many of the reforms the SBA has taken over the past several months to reform federal lending programs that were effectively torched under the previous administration. She also testified about the deregulation efforts being undertaken to remove the bureaucratic boot that has held down small businesses the past 4 years. And I applaud her work to reform the SBA and make Main Street America Great Again.

Private equity represents another important way for small businesses to have the capital they need to thrive. Under the previous administration, we saw a \$1.2 trillion decline in private equity investments thanks to aggressive overregulation that led to tens of thousands of fewer private equity investments. Fortunately for entrepreneurs across the country, House Republicans and President Trump are working hard to deregulate and extend vital tax cuts for small businesses.

Ms. Fields, thank you for your courage in being a leader, small business owner. I give you a lot of credit. Clearly, private equity is—they believe in you and your leadership and your character. So thank you for all that you do.

Mr. Bastable, how is private equity helping small manufacturers remain competitive?

Mr. BASTABLE. Yeah, it is a great question. And, you know, I think one of the things we consistently see with small manufacturers is the lack of access to innovation and new technologies that can help them be competitive with, frankly, foreign products coming into this country. And whether that is digital marketing or that is leveraging new tools with AI or upgrading their ERP system or automated manufacturing equipment, those are things that cost a lot of money. And you know, at times there are—it is too much money for those companies to invest in. And so we can come in and really help work with the teams to implement those solutions.

Mr. WIED. Clearly a great benefit.

Ms. Mendoza, when awarding loans to immigrants, do your companies use E-Verify or other federal database to ensure the recipients of your company's loans are in the United States here legally?

Ms. MENDOZA. So we don't do loans. We do equity investments. And our anchor bank is Bank of America. And so the Bank Holding Act language is in our LPA. And so we are only investing in Fund III out of companies domiciled in the United States. In Fund II, we invested internationally, but it was a seed stage fund. And all of our founders go through a typical due diligence process, like you do when you are hiring someone, background checks, all those things.

Mr. WIED. So in the testimony provided you mentioned the system, you know, working against certain groups of people, including those that didn't graduate from an Ivy League school or, you know, who did not live in the East or the West Coast. So what is the demographic breakdown of the business owners who have applied for—applied with you, with Mendoza Ventures? Not those that have been approved for investment, but those that have applied.

Ms. MENDOZA. Like I said, our portfolio looks like the nation. So we have a—I think unquestionably we have a more diverse applicant pool because I am a female general partner out there doing this work, and like attracts like. But the ones that are getting through Investment Committee, out of 15 companies, we have 2 female founders. We have a Korean-American founder, we have Latino founders, we have—we are lining up pretty well with the demographics of the United States.

Mr. WIED. Okay. So a statistic on your website, which you founded and are general partner at, says 90 percent of your loans go to startups led by immigrants, people of color, and women. So if 90 percent of your loans go to startups led by immigrants, people of color, and women, despite only accounting—well, we don't know what the overall applicants are, would it be fair to say that you give a preference to people based on those factors?

Ms. MENDOZA. No, I think it is fair to say that we give a preference to talent in a country where 51 percent of the population is female, 20 percent of the population is Latino. And I will have to double check my statistic, but I think it was 32 percent is Black. And if you are equitably distributing capital on a fair shake basis, that is what it should look like.

I would like to ask the same question of the firms that have deployed to 99 percent white men at the same time. I think if you are deploying to any population and you are giving talent a chance, your deployment should look like the population that you are deploying to. We also have white male founders with great teams.

Mr. WIED. All right. Well, thank you. And I yield back.

Chairwoman VAN DUYNE. Thank you.

I now recognize Mr. McGarvey from Kentucky for 5 minutes.

Mr. MCGARVEY. Thank you, Madam Chairwoman. It is no question that private equity has sort of changed the landscape for small businesses. Over the last decade, the United States capital markets as a whole have enjoyed enormous growth, but a disproportionate share of that is going into the private markets rather than the traditional public equity markets.

So I will just say I am not reflexively anti-private equity. I understand there is, there is a legitimate role for private equity firms

and often providing capital to small businesses. But I do share the concerns of my colleagues about some of the private industry—private equity's consolidation in healthcare, and some of the industry's tactics in doing so.

Ms. Mendoza, private equity firms have drawn criticism over the years for exactly some of those tactics. You know what they are: layoffs, selling off assets for quick cash, loading up a business with tons of debt, selling it off, and, you know, and the list goes on and on. And while these strategies can maximize returns for a private equity fund's investors, they often leave businesses, communities, workers worse off. So considering these well-publicized issues that we have all seen, what are the potential drawbacks for small businesses who choose to partner with private equity or private credit rather than going to traditional lending markets? And then what are the advantages?

Ms. MENDOZA. A lot of the times business are going there because traditional lending markets won't serve them. So it is just like your personal finance. When you have money and you don't need money, that is when the bank is willing to give it to you. And so as you move down that spectrum, the terms are going to get more predatory. It is business.

I think that part of the issue is also that the capital often is not coming from the communities. And so part of the reason that we are so passionate about representation across our entire capital stack is that when the capital comes from the community, you have some checks and balances in place. You know, in New England we fish a lot and we always say that you need local knowledge in order to be able to get anything. And I think a lot of those problems are endemic of a disconnect in priorities between the community and the private equity firm that is usually somewhere else coming in with very different goals. We need to pivot that to being building rather than extractive.

Mr. MCGARVEY. Does seeking private capital through the SBIC negate some of those problems that could happen for a small business?

Ms. MENDOZA. Yes, I think it does because it puts a standard term out there for companies that need it. And so it creates essentially a competition in the marketplace where you have a more fair product for the business owner.

Mr. MCGARVEY. Thank you for that. And Mr. Bastable, I want to talk to you. I am from Louisville, Kentucky, so we are both from the middle of the country. In fact, I went to the University of Missouri and married a Jeff City girl. So have a connection with Missouri certainly. You know where we are from and we know that most of the private equity investment and job growth takes place on the coasts and in big cities around the country. Last Congress, the House passed the Investing in All of America Act to give SBICs bonus leverage to invest in rural and underserved small businesses.

How else can Congress increase investment in under capitalized businesses in places like my hometown of Louisville or in St. Louis, Missouri, where you have an office? Is there a greater role for SBIC is in that?

Mr. BASTABLE. It is a great question. And the SBIC program is a phenomenal program and it is amazing how much capital flows into these rural communities because of that program. And I think the bill, the Investing in All America Act, and increasing the leverage limit will continue to drive more capital into these rural communities in the middle of America where, frankly, it is a lot of manufacturing industrial jobs where they make products.

Mr. MCGARVEY. And when you talk about increasing that limit, is that something you would peg to a number or would you peg it so it continues to move?

Mr. BASTABLE. I think, I am a simple person, I think picking a number and then maybe moving it in the future would be the easiest path forward.

Mr. MCGARVEY. Thank you very much. Appreciate that.

And Madam Chairwoman, I yield back.

Chairwoman VAN DUYNE. Thank you.

I now recognize Chairman Williams from Texas for 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chair. And Mr. Bastable, again, thanks for being here.

The Trump administration has made it clear that revitalizing American manufacturing is key to strengthening our economy and creating jobs. SBA Administrator Loeffler has mirrored those efforts with her Made in America Initiative, which rolls back burdens from regulations and supports pro growth policies. Therefore, many private equity firms are channeling critical investments into small manufacturers across the country.

So how is your firm helping small- and mid-sized manufacturers modernize their operations and expand manufacturing production to remain competitive in today's economy?

Mr. BASTABLE. That is a great question. And I mentioned in my opening statement one particular investment we have in Graham, Texas, which you may be familiar with. And they refurbish shipping containers and turn them into ground level offices. And one of the things we did was we invested in, you know, tuition reimbursement for all those employees. We invested in digital marketing, we invested in new manufacturing techniques to help them be competitive in the market. And as you know, Graham is not a huge city, and so it is really important that you create the education that is required for these, you know companies to retain really great talent, and to bring them into the community.

Mr. WILLIAMS. Well, that is great. And so what more can be done, do you think, to make it easier for private equity investments to identify and invest in small manufacturing?

Mr. BASTABLE. Yeah, I think the bill that has been proposed, the Investing in All of America, Act and increasing the leverage for the SBIC program is one great way to continue to bring capital to manufacturing businesses.

Mr. WILLIAMS. Okay, great, thanks. Graham's home of the Steers. Now, remember that.

Ms. Fields, small businesses often face significant challenges that can limit their growth potential. And your company's success shows how private equity investment can make a real difference in overcoming these obstacles and this also provides significant returns to both the investors and the entrepreneurs. So Ms. Fields, can you

share how beneficial it has been to identify potential investment opportunities outside the traditional investment hubs, such as Silicon Valley?

Ms. FIELDS. Yes, it is a great question. And I think that, you know, we are about as far from Silicon Valley as it gets. We are in the middle of Oklahoma and we are producing real product that everyday Americans need in their homes. As a small business owner, we have to grow. If we don't grow, we are not going to survive. To have private investment that allows us to make the investment in things that we need to make at the pace that we need to make them to stay relevant in our market has been critical to us. Without that, we would not have been able to do the things that we have done. We would be having to pick between can I hire a single person or can I invest in a piece of equipment? But I may not be able to do both. What this allows us to do is to make the investments that we need to make to stay relevant to our market and to do them in a way that allows us to accelerate.

Mr. WILLIAMS. Also helps with a great idea we had in America called risk and reward. Right? You take advantage of that.

Madam Chair, I yield my time back. Thank you.

Chairwoman VAN DUYNE. Thank you very much.

I now recognize Dr. Conaway from New Jersey for 5 minutes.

Mr. CONAWAY. Thank you, Madam Chair. Related to the issues that small businesses face are not monolithic, but rather they are unique to each business, which is why there is an inherent need to ensure that there is more diversity among regional managers. Increased diversity ultimately helps broaden the scope for small businesses that can be impacted by private and public investment.

Ms. Mendoza, before asking my question, I can't help but recognize and put a point on your own personal experience of being moved to the basement, as you say, because of a pregnancy and, well, you said it wasn't illegal, it certainly was wrong. And it is the kind of thing, unfortunately, that women and people of color face. And I think, sadly, even more unfortunately, there are a lot of people who seem very satisfied with that state of affairs.

Ms. Mendoza, statistics show that hiring more women and multicultural investment managers at a fund is one of the most successful strategies for increasing investments for underserved entrepreneurs and small business owners. How can we help promote more diversity at investment funds and help our diverse small business owners?

Ms. MENDOZA. So I think it is important to divide the conversation to, I want to be clear, we don't have a race-based investment thesis. We are an American-made company investing in America with a portfolio that looks like America.

Mr. CONAWAY. Great.

Ms. MENDOZA. And when you do that, you end up with diverse perspectives at the table, just as it is important to have the diverse perspectives that are in this room. I will use the Silicon Valley example of two guys from similar backgrounds, go to school together, get funded, and think they are going to crush it. And then the market lets them know that that is not the plan for them. And so usually what we see is that in a founding team, if the founders are able to bring in diverse perspectives sooner, the business has a

faster path to success because they are able to get out of their own heads in a way that is very quantifiable and meet the product and the market where they meet.

Mr. CONAWAY. Moving on to another issue in this area which I find very concerning. Community development and financial institutions in tandem with new market tax credits have made a massive impact in my home state of New Jersey. There have been a billion and a half new market tax credit investments in New Jersey and approaching \$700 million worth of community development financing loans. These are critical programs that serve as a lifeline for small businesses in historically underserved communities by providing credit, capital, and other critical financing services available.

Earlier this year, President Trump issued an executive order that aims to curtail the nonstatutory work of the CDFI fund. And last week the administration issued their initial fiscal year 2026 budget proposal that guts the program and turns it into a discretionary grant program. Very interesting to see who will be able to walk in the door and get those grants. The CDFI venture funds provides equity and debt to undercapitalized businesses around the country and made more than 55 million in investments in small businesses in 2023. Additionally, CDFI venture funds provide equity and debt and equity features to undercapitalized businesses around the country and made more than \$55 million in investments in small businesses, as I mentioned.

If you were going to broaden equity investments in our undercapitalized small businesses, isn't this administration's gutting of these important programs exactly what we ought not be doing?

Ms. MENDOZA. I do agree with that.

Mr. CONAWAY. I yield back.

Chairwoman VAN DUYNE. Thank you very much.

I now—

Mr. CONAWAY. No. Oh, I don't. Sorry. I want her to answer the question. I will yield in a second.

Chairwoman VAN DUYNE. Okay. I was like, you are staring at me. I am like, okay.

Mr. CONAWAY. I was going to stop talking and let her finish.

Chairwoman VAN DUYNE. Ms. Mendoza.

Ms. MENDOZA. Speaking of the system, I will always mess up.

Chairwoman VAN DUYNE. Do you want to go ahead and answer?

Ms. MENDOZA. Yeah. I was just going to say I think Detroit is a great example of what a CDFI can do first for a city. You know, since the '80s and '90s they have been bringing Detroit back with very similar investments. And I think, honestly, the only failing I can think of with CDFIs is that we didn't put enough in, the need is greater than the capital. And I can't name a local small business owner that knows their local CDFI off the top of their head is that we need a PR campaign for them.

Mr. CONAWAY. Great. And thank you. And now I yield back. Thank you, madam.

Chairwoman VAN DUYNE. Excellent. Thank you.

I now recognize Mr. Latimer from New York for 5 minutes.

Mr. LATIMER. Thank you very much, Madam Chairman.

There seems to be some misconception that by presence on the East Coast, perhaps it is true on the West Coast as well, that automatically funding will follow. And my experience in my area is that the same challenges exist market by market, depending on the business and depending on the location of it within that district or that market. So I would like to ask each of you one question, and I will start with Ms. Mendoza, but I would like each of you to address it. What do you see as the things that the SBA can do proactively to better promote the programs that would help these communities to make that connection as a government agency? What tools would help us better get that message out and reach the people that can best be benefited by these programs?

Ms. Mendoza and then the other folks on the panel, I would appreciate that.

Ms. MENDOZA. I think we are a great example of this. We are a successful venture capital firm built from scratch, and we haven't gotten a single grant from anyone because I don't have time to read the website and figure it out and apply for it when I can be potentially closing an investor. And so the one tool that you can do is meet the market where it is and lower barriers at every possible entry so that these small business owners who are already taxed for time and resources, it is very clear to them what is available to them and how they apply for it.

Ms. FIELDS. Yes. Thank you for that question. I think for us as a small business owner, we often don't have time or are unaware of what opportunities are even out there for us. We are simply too busy just trying to run the day-to-day of the business. I think for me being locally in Oklahoma, I sit on the board of the Oklahoma Manufacturing Alliance, which is an MEP, and they have been instrumental in helping us understand what is even out there to support us for a small business. For them to come into our business and understand what happens for us on the local level, what we need on a local level, and what is available to us has been instrumental in us being able to take advantage of these types of things.

Mr. BASTABLE. I think the first is to educate and make sure people understand what programs are available. But I think the biggest impact would be simplification. I think we have taken something that should be relatively simple and we have made it very complex. We have made it arduous, time-consuming, and I think a lot of people just drop out of the process because of the complexity associated with it.

Mr. LATIMER. Thank you very much for your answers.

Madam Chair, I return the time.

Chairwoman VAN DUYNE. Thank you.

I now recognize Ms. Goodlander from New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you, Madam Chair. And thank you to our witnesses for being here today and for your testimony.

I appreciate the positive examples that have been lifted up today. I came to Congress having served in the antitrust division at the Department of Justice. So I gave a great deal of time to really try and understand how private equity and venture capital firms are operating in really important industries across our economy, increasingly consolidated industries across our economy. I spent a lot

of time thinking about our housing markets and our healthcare industry. And, you know, as I have been on the job now for about 150 days and as I have traveled around my state in New Hampshire, the concerns that I was looking at at the Justice Department, I am seeing them play out in practice on the ground. The role that private equity firms have played in the nursing home industry in rolling up mental healthcare providers across the country, the concerns are real.

And I wanted to, at the outset, enter two articles into the record today. One is an op-ed written by one of my constituents from Nashua, New Hampshire, Melbourne Moran. He writes about the critical role of small businesses in mental healthcare. And his small business, Wanderlust Therapeutic Services, plays a really important role in my hometown Nashua in ensuring mental healthcare access. He says that local health practices like his aren't branches of large corporations. "They are local mom-and-pop counseling shops, owned and operated by licensed clinicians who live and work right alongside their clients. These professionals aren't answering to shareholders or national franchise boards. They are not corporate entities. They are answering to the needs of their neighbors." And I think he is absolutely right.

I also wanted to enter into the record a piece from one of my former colleagues at the Justice Department, Brendan Ballou. He points to—it is a New York Times piece entitled "Private Equity is Gutting America and Getting Away with It." He points out at the outset that according to the nonpartisan National Bureau of Economic Research, private equity ownership just in the nursing home industry alone is responsible for 20,000 premature deaths over a 12-year period.

So I wanted to enter these articles into the record and ask, beginning with you, Ms. Mendoza, if you could comment on what you have observed in the role that private equity and venture capital firms have played in industries, including in our healthcare industry and our housing industry, and do you see any problems?

Ms. MENDOZA. In my opening remarks, I quoted Eric Ries from Lean Startup, and his entire concept is that you need a feedback loop. You need to release a product into market, talk to the market, and come back. I see the same problem in private equity that I see with us rolling out programs recently is that that feedback loop is broken and we are not listening to the customers that are consuming it and coming back to them. So I think anytime that you blitzscale an industry without a feedback loop, and we have a history of that in the United States, you end up with these issues.

But I do want to be careful that not all private equity firms are created equal. I also use the example of, you know, we have 55 million under management, A16Z is in the billions. And so I think it is a different—when you are legislating this entire industry, it is a lot like trying to legislate agriculture. You know, there are small organic farmers. There are also huge food factories, and you can't put them all in the same bucket.

Ms. GOODLANDER. I understand that. A follow-up question is as a general matter, as a general principle, do you agree that firms should be sued and be held accountable, should be able to be sued

and held accountable, for any wrongs that are committed by companies in their ownership and control?

Ms. MENDOZA. So if the private equity firm has a controlling interest in that company, they would be voting board members and they should be held accountable in that role for that.

Ms. GOODLANDER. Would our other witnesses like to comment on that question or?

Mr. BASTABLE. No, but are you referring to the first question you asked about consolidation?

Ms. GOODLANDER. No, I am asking do you think as a general principle that firms should be able to be held accountable, should be suable for wrongs committed by companies that they effectively control?

Mr. BASTABLE. I mean, I think it is a nuanced question depending on what is actually happening. And as you mentioned, you know, there are different situations in different sized businesses and different parts of the capital stack where private equity is involved, where they may be a lender and they may have board observation rights, or they might be a minority investor. And so it is a broad, you know, topic.

Ms. GOODLANDER. Sure. I think, though, that this cornerstone principle of accountability is part of what we need in this country to restore faith in private equity firms across our country when so many communities have felt the pain of an unaccountable entity gobbling up some of the most important institutions in the life of our community.

So I thank you and I yield back.

Chairwoman VAN DUYNE. Thank you very much.

I now recognize Mr. Bresnahan from Pennsylvania for 5 minutes.

Mr. BRESNAHAN. Thank you, Madam Chair, for convening this important hearing. And thank you to our witnesses for being here today.

I have always been a strong advocate for expanding opportunities for our entrepreneurs and small businesses to start, grow, and thrive. For some, the right path may be working with the local community bank, securing an SBA loan, or receiving a government grant. For others, private equity can serve as a powerful engine fueling innovation, expansion, and ultimately a chance to achieve the American Dream. When done right, these partnerships can help small businesses grow in ways that benefit all of us, creating good, high-paying, and meaningful jobs for hardworking Americans.

Ms. Fields, your work in the manufacturing sector, especially relevant to Pennsylvania's Eighth Congressional District, where manufacturing plays a vital role to our local economy, I want to revisit a particularly compelling part of your testimony that deserves to be underscored in this conversation. You shared that thanks to your partnership with private equity, your company is now in a position to onshore more of its manufacturing operations and plans to grow your workforce by over 30 percent in the next 18 months. That kind of investment in American jobs and communities is exactly the type of success stories we should be recognizing and supporting here in Congress.

With that, Ms. Fields, I will turn to you for my first question. You mentioned onshoring your manufacturing operations. Could you expand on why they are such a priority for your business and what specific challenges you are encountering in doing so?

Ms. FIELDS. Yes. We always want to be an American manufacturer first and the only reason that we do not manufacture something in America is simply because we cannot compete with what it costs us to produce it here versus what it would cost us to produce it overseas. And so, we do presently manufacture some products overseas.

By having private equity come alongside us and the things I had previously mentioned about allowing us to figure out how to get cost out of our operation, become far more efficient, and to understand how to better run a more efficient facility, it allows us to look at products that were previously unattainable to us to manufacture domestically. Now we can bring those back. Obviously, the potential tariffs out there also allow us to look at that even harder today. And so we can now confidently make those needed investments to expand our product line and bring those products back, knowing that we can produce them here and compete with other larger companies.

Mr. BRESNAHAN. What challenges are you experiencing on the workforce development side?

Ms. FIELDS. Our biggest challenge is access to workforce. So a question for us is being able to bring people in to do manufacturing. It is sometimes hard to find people, so we partner with local trade schools to get those people.

Additionally it is hard getting people to stay. Once they join us, we get them trained, and getting them to stay so we have to be competitive in terms of pay, benefits and a pleasant work environment.

Mr. BRESNAHAN. Well, I appreciate that. Now, regarding the partnership with private equity, did you look for similarities, similar overlapping business practices, or what was the—if you can point to the single most beneficial part of the relationship and partnership, what would that have been?

Ms. FIELDS. I think for us, obviously, capital is part of it, but for us it is having expertise brought into our business. Our private equity firm, as I mentioned, is actually Mr. Bastable's firm that we are partnered with and they focus on manufacturing in the lower middle market, which is exactly in the pocket for us. They have people on their team that have expertise that we simply did not have access to or could not afford to have access to. The partnership, the relationship, the expertise and the support that they bring is critical to us.

Mr. BRESNAHAN. I appreciate that.

Mr. Bastable, I will pivot to you. Right now we are looking at relatively high interest rates, around 7 percent, which makes it difficult for businesses to justify new investments. In that context, can you elaborate on how private capital can serve as a critical tool to help businesses invest, scale, and create jobs in the United States?

Mr. BASTABLE. Yeah, it is a great question. And so as interest rates increase, it becomes more costly for them to take on debt, to

invest in equipment, and so on and so forth. And, you know, when you have a private equity partner who has access to capital or equity, they can invest in those opportunities and so they don't have to make interest payments every time they make an investment into their business.

Mr. BRESNAHAN. Do you traditionally charge like a management expense back to the company that you are partnered with?

Mr. BASTABLE. Minimal.

Mr. BRESNAHAN. Okay. With that, I yield back. Thanks.

Chairwoman VAN DUYNE. Thank you very much.

Seeing no other questions, I want to thank our witnesses for their testimony today and for appearing before us.

Without objection, Members have 5 legislative days to submit additional materials and written requests for the witnesses and to the Chair, which will be forwarded to the witnesses. And I ask the witnesses to please respond promptly.

If there is no further business, without objection, the Committee is adjourned.

[Whereupon, at 11:04 a.m., the Subcommittee was adjourned.]

APPENDIX

Chairwoman Van Duyne, Ranking Member Iver, and Members of the Subcommittee:

Thank you for holding this important hearing.

My name is Jordan Bastable, and I am a co-founder of LongWater Opportunities, a private investment firm focused on the lower middle market. I also serve as a board member and council chair of the Small Business Investor Alliance (SBIA), which represents funds that invest in and support the growth of small businesses across America.

Our journey began in 2009 with two complementary perspectives: one rooted in the experience of a family-run business in rural America, grappling with succession and capital constraints; the other shaped by exposure to large private equity firms and the untapped potential in underserved markets. Together, we saw an opportunity to invest in small, family-owned businesses, especially those lacking succession plans and access to institutional capital.

On our first investment, we approached over 20 banks before finally securing financing—under restrictive terms. That experience revealed a larger truth: small businesses consistently face systemic barriers to growth capital. And those barriers are especially acute in underserved markets.

Today, LongWater has offices in Fargo, St. Louis, and Dallas. We provide a range of investment solutions, from controlling equity to direct loans. But we are more than capital providers—we are partners. We support our portfolio companies with strategic guidance, operational expertise, and access to networks they might

otherwise never reach. We help businesses scale, professionalize, and thrive—this is not transactional, it's relational.

Let me be clear: the idea that private equity succeeds when businesses fail is simply false. In the lower middle market, success comes from helping small businesses grow into larger, stronger enterprises that create lasting jobs and value.

Let me give you a real example:

We invested in XCaliber Container, a manufacturer in Graham, Texas—a rural town with fewer than 10,000 residents. XCaliber modifies steel shipping containers and converts them to ground-level offices used on construction and energy sites.

Our partnership went far beyond just capital. We:

- Professionalized operations and improved financial visibility,
- Increased throughput on the production floor, leading to higher output and local hiring,
- Trained the workforce in safety, lean manufacturing, process improvement, and outbound sales,
- Modernized digital marketing, bringing in external experts to upskill internal teams and increase online conversions,
- Expanded benefits, instituting 401(k)s, comprehensive healthcare, and a tuition reimbursement program for continuing education,
- Invested in infrastructure, including cleaning and rehabbing an old abandoned industrial site and investing in new capital equipment,

- And enhanced workplace safety, launching a formal program and bringing in OSHA consultants.

This is what aligned private capital looks like: capacity building, local empowerment, and economic revitalization.

Good public policy should expand—not restrict—the capital options available to small businesses. Whether it's a startup fighting for market share, a second-generation manufacturer navigating succession, or a rural enterprise facing technological disruption, private investment is often the bridge between survival and scale.

In today's climate—where traditional financing is often constrained—private capital is not just helpful, it is essential. I look forward to working with this Subcommittee to ensure small businesses can access the kind of value-added capital that helps them grow, hire, and succeed for the long term.

Thank you.

**Written Testimony of Sarah Fields
Chief Executive Officer, Jetta**

For the hearing entitled, “Investing in America: How Private Equity Empowers Main Street” before the House Committee on Small Business, Subcommittee on Economic Growth, Tax, and Capital Access

June 5, 2025 – 10:00 a.m.

Chair Van Duyne, Ranking Member McIver, and Members of the Subcommittee, thank you for inviting me to speak. My name is Sarah Fields, and I serve as the CEO at Jetta Corporation, a U.S based bathtub manufacturer with \$20 million in annual revenue and 60 employees.

We operate in the building products industry – an essential yet often overlooked segment of American manufacturing. I am here to describe how partnering with a *lower-middle-market* private-equity (PE) firm is enabling us to grow faster, operate more efficiently, invest in our workforce, and expand our domestic manufacturing footprint—all while remaining a nimble, people-focused business.

A Strategic Partner, Not Just a Capital Provider

While private equity is often viewed simply as a source of capital, our experience has been far more hands-on and collaborative. We partnered with a smaller private equity fund, where businesses like ours are a big deal to them. That matters.

It means we have direct access to senior partners—not just during the deal, but every week since. Decisions are made quickly. And more importantly, they’ve been willing to roll up their sleeves and work alongside us to move the needle.

This firm specializes in the manufacturing sector, so from day one, they brought meaningful insights—from production flow to supply chain management—that we simply wouldn’t have had on our own.

Improving Efficiency and Workplace Quality

In our first year together, this partnership led to a 10% increase in factory capacity and an 8% increase in efficiency achieved by redesigning our plant layout and optimizing workflow.

We also realized significant material cost savings through smarter sourcing and inventory management.

We’ve invested in improving our workplace environment, modernizing our plant floor, updating equipment, and implementing safety upgrades. These changes are designed to

retain skilled workers in an industry that relies heavily on craftsmanship and consistency—particularly in the finishing and assembly of high-quality bathtubs.

Enhancing Competitiveness in a Global Market

The benefits of these operational improvements are clear:

- We are now more competitive with larger, often global, players.
- We are gaining market share.
- We are operating more profitably, enabling continued reinvestment in growth and innovation.
- We are no longer just holding our own—we're expanding.

Fueling future Strategic Expansion

One of the most important advantages of private equity ownership is access to capital for growth—not only organic, but through acquisition.

Over the next six months, we plan to acquire a second manufacturing facility, which will allow us to:

- Expand our national footprint, reaching new regional markets.
- Reduce shipping lead times and freight costs, making us more competitive.
- Support new product lines that respond to changing customer preferences, including products traditionally sourced from overseas.

Creating Jobs and Onshoring Production

We are now in our third year of PE ownership and are seeing 15% year-over-year growth. We are actively working to onshore production of bathtubs we currently import, which will improve quality control and reduce reliance on international supply chains. As a result, we expect to increase our workforce by 30% over the next 18 months, adding high-quality manufacturing jobs in our community.

Conclusion

Our story demonstrates how private equity—when focused on long-term growth—can be a catalyst for strengthening small American manufacturers. It has enabled us to create jobs, reduce foreign dependency, improve worker conditions, and build a more competitive and sustainable business in a foundational industry.

Thank you again for the opportunity to share our experience. I look forward to your questions.

Testimony before the U.S. House Committee on Small Business
Subcommittee on Economic Growth, Tax, and Capital Access
“Investing in America: How Private Equity Empowers Main Street.”

Senofer E. Mendoza
Founder, General Partner, Mendoza Ventures
Founder, Executive Director, Mendoza Impact

June 5, 2025
Rayburn House Office Building, Room 2360

"Investing in America: How Private Equity Empowers Main Street."

Chairman Williams, Ranking Member Velazquez, and members of the Subcommittee on Economic Growth, Tax, and Capital Access, thank you for the opportunity to testify at today's hearing on the importance of investment in driving small business growth, and on the necessity of entrepreneurship as a cornerstone of the United States of America's economic competitiveness.

I am pleased to testify today as the Founder and General Partner of Mendoza Ventures, a privately held Venture Capital firm investing into AI, cybersecurity, and dual-use companies; and as the Founder and Executive Director of Mendoza Impact. Our nonprofit arm, Mendoza Impact serves the mission of expanding opportunity for all Americans by empowering and funding the next-generation of founders, funders, fellows and small businesses to support their communities through strength and giving back.

My family has lived the American Dream, we are self made entrepreneurs who built a Venture Capital fund out of a technology exit, we live in the perspective we are all trying to promote: fiscal responsibility, innovative technology, and employing Americans to their best capacity. Since 2016, we have deployed over \$30M into the American economy, sustaining 15 portfolio companies. We have generated more than 550 full time jobs, and \$148M in revenue for our portfolio in 2024 alone, employed countless consultants, lawyers and specialists, and contributed essential technology to our nation's tech stack, both for the government and the private sector. We have funded veterans, women and several minorities, in fact, our portfolio looks a lot like our great nation. We have co-invested with some of the largest financial institutions in the world, from day one we were determined to build an institutional-quality VC firm that supports founders, and that is what we have done. We have exited four companies, creating generational wealth for other American families through our company. We are philanthropists who have used these exits and the stability it generates to contribute to bipartisan committees, to fund arts organizations, to support educational nonprofits and to mentor the funds and founders following our lead.

This is the place where wealth is generated, access to the American Dream is through private equity, through the growth and sale of businesses, over 50% of millionaires attribute their wealth to the growth and sale of a family or privately held business.¹ It is proven that liquidity constraints can hinder access to entrepreneurship² and the associated wealth generation. We often say "you need a launchpad to send a rocket." You cannot disassociate Main Street America's stability from our nation's entrepreneurial ecosystem, they are completely intertwined. Our building is a great example of this. The basement houses Newbury Street Dry Cleaners, a shoe store on the first floor, there is an incubator for hair salons on the second floor, so 5

¹ Stanley, Thomas J., and William D. Danko. *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*. Atlanta: Longstreet Press, 1996.

² Hurst, Erin and Annamaria Lusardi. "Liquidity Constraints, Household Wealth, and Entrepreneurship." *Journal of Political Economy* 112, no. 2 (2004): 93–118. <https://doi.org/10.1086/381478>.

businesses all with 1-3 employees, we are on the third floor with our staff of five, and the fourth is a Private Equity fund investing in real estate.

Malcolm Gladwell spoke to this in his 2008 book *Outliers*: "It's not enough to ask what successful people are like. It is only by asking where they are from that we can unravel the logic behind who succeeds and who doesn't... Successful people don't do it alone. Where they come from matters. They're products of particular places and environments."³

The SBA is faced with the tricky task of solving for both launchpads and rockets in their work: to grow the entrepreneurs and make sure they are supported at the same time.

We sit in a unique place in the capital stack. We are funding scaling businesses, and we have a national impact, and yet we are still a small business ourselves. We do this work with a full time staff of three, and a fellows program we have run since 2018 that has a regular cadence of 2-4 talented MBAs from around the country in our office at a regular clip, and a network of dedicated venture partners who support the firm part-time from Dallas, San Francisco, and Miami.

Venture Capital, like all asset classes, thrives on diversification, a healthy ecosystem has a number of well funded players spread out across the nation. Traditionally, this capital has been concentrated in coastal cities, and now we are seeing trends towards a further concentration into a select few firms.

Firms like mine are becoming more rare. The threat to firms like us lie in the scale of capital that moves through the United States economy. Accomplishments always sound impressive when you list them like this, but hold our \$100M target raise up against the larger VC Capital stack, where a16z (Andreessen Horowitz) closed \$7.2 Billion in 2024 and just announced a \$20 Billion megafund,⁴ and you see that we are one of a decreasing number of small fish.

Small funds enable Main Street in a way the megafunds do not, larger funds cannot write smaller checks, they just have too much capital to deploy in a typical four or five year investment cycle. We need more small and emerging fund managers to deploy to the seed and early growth stages to sustain an innovation economy.

In an industry where the median fund size is \$35.4 million⁵, the introduction of these larger megafunds coupled with a slowing IPO market means less capital from LPs for smaller firms, and then less smaller firms, which we see since 2021 with a drop in the number of active venture capital firms in the U.S. by over 25%, from a peak of 8,315 to approximately 6,175

³ Gladwell, Malcolm. *Outliers: The Story of Success*. New York: Little, Brown and Company, 2008.

⁴ Sen, Arasu Kannagi. "Andreessen Horowitz Seeks to Raise \$20 Billion Megafund amid Global Interest in US AI." *Reuters*, April 8, 2025.

<https://www.reuters.com/business/finance/andreessen-horowitz-seeks-raise-20-billion-megafund-amid-global-interest-us-ai-2025-04-08/>.

⁵ National Venture Capital Association. *NVCA Yearbook 2024*. Arlington, VA: National Venture Capital Association, 2024. <http://nvca.org/nvca-yearbook/>.

firms.⁶ As someone in the industry, I would argue this is a conservative number. Many firms are still taking meetings with founders but not publicly saying they have deployed their funds. There are hordes of “zombie firms” waiting in the sidelines for capital to flow again so they can pick up their checkbooks and restart investing.

We have met with two fund of funds this week who have openly stated they are taking meetings with 100-150 VC firms this year to maybe invest in one. This is capital warming the bench.

The combination of a frozen IPO market (years of reduced median offering sizes, increased numbers of “broken IPOs closing below initial sale price, and a reduced offering size)⁷ means that traditional venture investors have had less capital to invest back into the ecosystem coming back through that exit path, couple that with the introduction of megafunds, and you have the capital constricted market we face for startups today.

In any financial ecosystem this brings two problems simultaneously: the availability of capital, and the quality of capital you are able to access. Bob Hope said “A bank is a place that will lend you money if you can prove you don’t need it,” fund investors in the U.S. are starting to adopt a similar approach. In this capital constricted environment you see endowments, foundations, and financial institutions recommitting to the same managers with funds over \$250M.

As the VCs are facing this problem, startups are seeing the same effect, the wealth gap trends facing the American population are also facing our capital stack, Venture Capital is increasingly becoming the “haves” and “have nots”.⁸ Q1 saw the largest amount of capital deployed in a quarter in years, into a smaller concentration of companies, so money did move, but it moved to fewer startups.

In Q1 of 2025, \$91 Billion of capital was raised in the U.S., with 71% of that capital going into AI and Machine Learning startups. \$40 Billion of that went into OpenAI alone, with the runner up Anthropic taking another \$4.5 Billion.⁹ This is following Q4 of 2024 where Open AI raised 7.10% of all venture funding deployed.¹⁰ The number of average deals declined by 25%, while deployed capital rose almost 20%, showing this concentration.

⁶ Williams, Martin Arnold and Bryce. “Private Credit Fundraising Surges to Record \$16bn in First Quarter.” *Financial Times*, April 7, 2025. <https://www.ft.com/content/7a787423-9466-4e55-8c0e-8811cfe44dd3>.

⁷ Ernst & Young. “IPO Market Trends.” *EY*, April 2025. https://www.ey.com/en_us/insights/ipo/ipo-market-trends.

⁸ McLoughlin, Paul. “Venture Capital Is Increasingly Becoming an Industry of Haves and Have-Nots.” *Private Equity News*, April 17, 2024. <https://www.penews.com/articles/venture-capital-is-increasingly-becoming-an-industry-of-haves-and-have-nots-c4840a02>.

⁹ PitchBook and National Venture Capital Association. *Q1 2025 PitchBook-NVCA Venture Monitor*. April 15, 2025. <https://nvca.org/document/q1-2025-pitchbook-nvca-venture-monitor/> PitchBook+6NVCA+6NVCA+6

¹⁰ Metinko, Chris. “Eye On AI: Massive OpenAI Deal Masks AI’s Slow Quarter.” *Crunchbase News*, April 3, 2025. <https://news.crunchbase.com/venture/ai-venture-funding-q1-2025-openai-anthropic/> Crunchbase News

If you follow this concentration back up the capital stack, a16z and Sequoia, both major investors in OpenAI and Anthropic¹¹ which took the bulk of this funding, share many endowments, foundations and asset managers as LPs. We have a growing area of concentration, and an exposure risk, by having a limited venture ecosystem. Both were also investors in WeWork and Theranos.

Private credit is growing because it solves some systemic issues of VC (return of capital, 10 year lockup), the businesses are not always ready for credit if they are comparing it as an option against VC. Private credit was designed for companies in the lower to middle market, with \$5-10M in EBITDA, anyone coming in beneath that is looking at a more predatory term sheet. We have more private credit for cash flow businesses than we need, and firms are raising quickly on the model and struggling for deal flow.

Especially for growing startups it sends a very different signal to market if you take on debt over equity at a priced round. Credit goes to the top of the debt stack above investors, so if you're investing in a company and demanding that immediate return, you need to have the revenue to do it, and if your Venture Capitalist did not support the next round of funding it raises diligence questions.

The same quality of capital issues we see in venture are also true of private credit, if you need to finance an invoice or warehouse supply, you can end up paying the same rates as a credit card depending on your network.

A startup trying to raise today is facing fewer firms, a higher concentration of capital from larger firms, who are doubling down on internal deals more frequently. You can't launch a rocket without a launchpad, we need more launchpads in more areas of the country to launch companies.

In finance, when we have a problem, we call it an "opportunity". Our problem is a growing market has taken an extractive approach to startups and entrepreneurship. Any agricultural expert can tell you that is the fastest way to kill an ecosystem. The SBA has an opportunity here to change the conversation and make how we support entrepreneurship contributive. We do not depend on business alone to support our schools or our infrastructure, we are learning we cannot do the same with innovation if we want to protect it.

"Success is stumbling from failure to failure with no loss of enthusiasm."
- attributed to Winston Churchill¹²

"If you're not failing, you're not journeying into new territory."
- Amy Edmonson¹³

¹¹ Lingto. "Anthropic Unicorn News: VC Firms Invest in Competing AI Startups." *Lingto*, April 8, 2025. <https://www.lingto.com/unicorn-news/anthropic-unicorn-news-vc-firms-invest-in-competing-ai-startups/>.

¹² Attributed to Winston Churchill though not found directly in his archive.

¹³ Amy C. Edmondson, *Right Kind of Wrong: The Science of Failing Well* (New York: Atria Books, 2023)

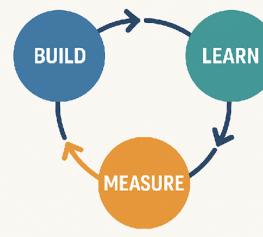
The good news is, we are already failing, the data is clear. Our capital stack has blatant gaps and areas where the on-ramps and off-ramps are not connecting, there is increased concentration into the private markets, into venture, into megafunds, and consequently fewer companies, all of which are disproportionately managed by a solitary demographic.

In startups, this is a good thing. Failure is learning, and if you can fail fast, learn, and implement fast, you can succeed against the odds. It is okay that we are failing, we have learned, we need to implement much faster. Our institutions are rich in data, no one questions the SBA's connectivity to Main Street, but the feedback is clear: we need capital we can access, we just need a chance to prove that we are a reliable investment. The banks are not filling this gap, venture is a fit for rockets, but not launchpads, we need clear and consistent support from the government to fill this need.

A small business owner recently told me "Workforce development is the government's version of "Let them eat cake". Companies are hungry for capital.

There is an often referenced book among founders called *The Lean Startup* that offers a roadmap to building an organization in a lean and effective manner, so you can scale what works faster and not get mired in iterations that do not add value to your customers or the business. One of the things Lean Startup teaches is quick product development cycles in reaction to customer feedback. If you create an organization where you fail quickly, iterate fast, and react to what your market is telling you, you fail faster than the competition and succeed faster. It gives you a competitive edge when your competition may have more funding or a larger team.

THE ITERATIVE FEEDBACK LOOP FROM ERIC RIES'S LEAN STARTUP



In this book Eric Ries says "Success is not delivering a feature; success is learning how to solve the customer's problem."

The product of government is policy, law, and infrastructure, and the feedback has been clear, all stages of business need fair and consistent capital access, we need to iterate quickly.

Some of the proposed cuts to instrumental funding, like CDFIs, show that we are not iterating on the feedback business owners are screaming: we need consistent capital sources with a lower barrier to entry. Establishing a CDFI is not an easy or light process, ripping a layer out of the capital stack, that is returning capital, sends a clear message to small business owners that they are on their own. We know what the effect will be on Main Street, "For lease" signs in once full windows, and we will lose the foundational stability entrepreneurship needs. If anything, the

SBA has not pushed out enough to CDFIs, there are too many barriers to entry. Do you know a single small business owner who can name their local CDFI from memory?

SBIC faced similar challenges, we were a great example. SBA / SBIC Dollars are hard for smaller funds, we went through the SBIC license process, we never completed it because the cost was too high (\$100-150,000 in legal), and when you are raising and deploying simultaneously, that may be your entire legal budget for two years or more. For a seed stage fund, that is an entire investment.

The SBA revised this into the Accrual SNBICs thanks to the insight of Bailey Devries, who was the Director overseeing venture at Greenspring, so that the interest would be paid with distributions on the sale of an asset, which made it much more doable when you are in that J-curve of financing, but did nothing to ease the upfront legal burden.

The application process was actually more arduous than going through diligence with a bank.

The program is clearly beneficial at its core, the onboarding and legal was harder than recruiting LPs, so there is an opportunity for innovation to standardize documents and publish them.

Coastal Bank and Carta offer a case study in partnership to provide a Capital call line of credit for their customers (a standard VC tool where once you have invoiced investors, your bank provides a float so you can make the investment while money comes in). Coastal is a community bank offering 90-120 day term loans, and the product was so successful they stopped advertising it. In comparison to the competition, as self made entrepreneurs, we were asked by banks to offer our home as collateral, or told on our second fund "If you were Bain I could do this for you," for a standard VC product. Coastal offers standardized docs, and met emerging fund managers through a partnership with Carta, which gave them better diligence insight into what would be considered high risk from a traditional bank. They met the market quickly with a right-fit product, there is no reason SBA can't do the same.

After going through more than 30 hours of prep to be semi-approved for a 100-150k legal bill, the non-leveraged SBIC license honestly got tabled by our team to look at after we close this fund. Smaller funds have small teams and need to manage time efficiently, the potential future reward for keeping everyone informed was not tangible enough for us to commit more time to it. Part of our feedback was that at our fund 3, we still felt "early" for the team. On Fund 4 or 5 we will no longer need to take on the administrative, debt, or legal burden to access the program.

If the program stays as it is today, you will see a compounding over time, where the larger firms, or the direct spin offs of larger firms will be able to take this on, but smaller firms and newer firms will continue to miss the opportunity. The program does not have to be cut, it is meeting a need, it just needs a tweak to be able to meet the market where it is. If the SBA could standardize legal docs and streamline diligence, you could have a product this year supporting

the ecosystem and returning capital for this and other programs. We don't need to cut everything that needs another iteration to thrive, and to help our nation thrive.

Cuts are needed, we all can agree some efficiency could be found in government as a whole, but if we do not listen to the business owners we serve, we are damaging our own cause.

We have to maintain a broad spectrum of capital options to meet entrepreneurs where they are at each stage of the capital stack, and that assortment will ensure quality of capital at each stage. The feedback loop of the capital flow is showing us in the deployment statistics of the past few years that LPs need reliable return of capital to continue additive investment into innovation that takes time, the funds need consistent and reliable quality LP capital, and the startups need the same coupled with expertise to scale. All of this is fueled by regulatory clarity and consistent capital coupled with workforce development.

Main Street is our feedback loop, and we have to listen to it to be able to implement policy for the benefit of all Americans.

Systems set up without taking some degree of failure into consideration are set up to fail.

Last year, we published our National Entrepreneurship Strategy¹⁴, which came out of a bipartisan committee, and the recommendations for TechHUBs and deploying capital into non-coastal regions are being carried forward by this administration. There is bipartisan agreement that entrepreneurship is core to our society, it needs the same level of support as our other core beliefs, not less. Entrepreneurs are not asking for discretionary grants, they are asking for basic capital access provided with a modicum of reliability and consistency.

We are stuck in a cycle of trying to legislate a silver bullet solution, and supporting innovation takes a broader approach. I can tell you for a fact, it is too hard to build. The sacrifices we have made to build a business is why you see less firms being started today. I graduated undergraduate in 2004, and grad school in 2010, my entire adult career has been built in economic headwinds. For anyone my age or younger, the garage that they would start a business in is now an AirBnB to make ends meet. Moving to a more affordable region means less capital is available for your business.

As a nation over the past few years, we have decided that innovation is a core part of our competitiveness, this leaves the SBA with the difficult task of supporting Main Street, and launching rockets at the same time. But, good news, we can do that. It just takes a unified vision, a long term bipartisan commitment, and consistency, all things the SBA is known for historically delivered on.

¹⁴ National Advisory Council on Innovation and Entrepreneurship (NACIE). *America's Entrepreneurial Engine: Competitiveness Through Entrepreneurship*. U.S. Economic Development Administration, February 2024. https://www.eda.gov/sites/default/files/2024-02/NACIE_Competitiveness_Through_Entrepreneurship.pdf.

Venture Capital was designed as a playground for the wealthy to make more money. The families, endowments, foundations, and institutions that invest in venture have wealth, this is the riskiest sleeve of the risk bucket of private equity. We, as a nation, have decided it is part of the bedrock of competitiveness and innovation. We have to reconcile these two things and provide access to be successful in this assumption.

1.7% of VC dollars at all go to overlooked founders, and that number includes all of the women, people of color, veterans and minorities that went to Stanford, Harvard, and MIT, so essentially, if you are starting a business off the coasts and didn't go to an ivy league, that money is not there for you. Where we define a systemic issue at Mendoza Impact, is if you can be the absolute best at something and it is still not good enough, that's when the system is visibly working against the individual.

If you look at the fact that VC, a subset of PE, has now surpassed PE in amount of capital managed (PE had \$.75 trillion and VC had 1.3 trillion in 2024¹⁵) , this is becoming, in real time, an entrenched systemic issue affecting all Americans. Again, the capital is there, we have enough capital, we just need to move it.

I do not think the answer is blatant deregulation, we have tried that, and historically it did not serve the entire nation. We require a combination of deciding at which point we necessitate reporting for accountability, and incentivizing the larger LPs to get the enormous amount of capital sitting on the sidelines moving with iterative products we can perfect across administrations.

It would be impossible to minimize the effect of a regulatory shift every four years on a small business. The lack of clear and consistent policy is damaging us, we went through diligence with programs that have been defunded, we have forged international relationships that have been put on hold, we have a startup still waiting for a Employee Retention Credit Refund, one that managed not to lay off a single employee during COVID, and now that may be cut as well after years of waiting. No matter what policy our government decides, business will find a way, but we do need to have a clear policy so our businesses can get through the week or the year, with staff, and execute on a plan beyond a couple of months.

The House has successfully legislated in this space before, the QSBS Tax credit, originally enacted in 1993, helped shore up the seed stage of VC, and with feedback from investors over years and cross administrations added protections for investing in the early stages.

The SBA is the great connector in our entrepreneurial landscape, it's why Growth, Tax and Capital Access are the same committee. We, the people, need you to build like it.

¹⁵ Slotsky, Caryn, Drew Carneal, and Wyatt Yasinski. "US PE/VC Benchmark Commentary: First Half 2024." *Cambridge Associates*, March 2025.
<https://www.cambridgeassociates.com/insight/us-pe-vc-benchmark-commentary-first-half-2024/>. Cambridge Associates

Each administration tries to legislate the silver bullet solution for the quick win, and capital access is not a silver bullet problem, it takes all of the things. But we do have solutions. A unified effort from government, universities, foundations, business, and private citizens can create entrepreneurship everywhere for everyone.

We need to support both capital and workforce development, consistently, at every stage of the capital stack, throughout the country.

That is the American Dream.

GUEST ESSAY

Private Equity Is Gutting America — and Getting Away With It

April 28, 2023

By Brendan Ballou

Mr. Ballou is an attorney and the author of the forthcoming “Plunder: Private Equity’s Plan to Pillage America,” from which this essay is adapted.

“Private equity” is a term we’ve all heard but which, if we’re honest, few of us understand. The basic idea is simple: Private equity firms make their money by buying companies, transforming them and selling them — hopefully for a profit. But what sounds simple often leads to disaster.

Companies bought by private equity firms are far more likely to go bankrupt than companies that aren’t. Over the last decade, private equity firms were responsible for nearly 600,000 job losses in the retail sector alone. In nursing homes, where the firms have been particularly active, private equity ownership is responsible for an estimated — and astounding — 20,000 premature deaths over a 12-year period, according to a recent working paper from the National Bureau of Economic Research. Similar tales of woe abound in mobile homes, prison health care, emergency medicine, ambulances, apartment buildings and elsewhere. Yet private equity and its leaders continue to prosper, and executives of the top firms are billionaires many times over.

Why do private equity firms succeed when the companies they buy so often fail? In part, it's because firms are generally insulated from the consequences of their actions, and benefit from hard-fought tax benefits that allow many of their executives to often pay lower rates than you and I do. Together, this means that firms enjoy disproportionate benefits when their plans succeed, and suffer fewer consequences when they fail.

Consider the case of the Carlyle Group and the nursing home chain HCR ManorCare. In 2007, Carlyle — a private equity firm now with \$373 billion in assets under management — bought HCR ManorCare for a little over \$6 billion, most of which was borrowed money that ManorCare, not Carlyle, would have to pay back. As the new owner, Carlyle sold nearly all of ManorCare's real estate and quickly recovered its initial investment. This meant, however, that ManorCare was forced to pay nearly half a billion dollars a year in rent to occupy buildings it once owned. Carlyle also extracted over \$80 million in transaction and advisory fees from the company it had just bought, draining ManorCare of money.

ManorCare soon instituted various cost-cutting programs and laid off hundreds of workers. Health code violations spiked. People suffered. The daughter of one resident told The Washington Post that "my mom would call us every day crying when she was in there" and that "it was dirty — like a run-down motel. Roaches and ants all over the place."

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In 2018, ManorCare filed for bankruptcy, with over \$7 billion in debt. But that was, in a sense, immaterial to Carlyle, which had already recovered the money it invested and made millions more in fees. (In statements to The Washington Post, ManorCare denied that the quality of its care had declined, while Carlyle claimed that changes in how Medicare paid nursing homes, not its own actions, caused the chain's bankruptcy.)

Carlyle managed to avoid any legal liability for its actions. How it did so explains why this industry often has such poor outcomes for the businesses it buys.

The family of one ManorCare resident, Annie Salley, sued Carlyle after she died in a facility that the family said was understaffed. According to the lawsuit, despite needing assistance walking to the bathroom, Ms. Salley was forced to do so alone, and hit her head on a bathroom fixture. Afterward, nursing home staff reportedly failed to order a head scan or refer her to a doctor, even though she exhibited confusion, vomited and thrashed around. Ms. Salley eventually died from bleeding around her brain.

Yet when Ms. Salley's family sued for wrongful death, Carlyle managed to get the case against it dismissed. As a private equity firm, Carlyle claimed, it did not technically own ManorCare. Rather, Carlyle merely advised a series of investment funds with obscure names that did. In essence, Carlyle performed a legal disappearing act.

In this case, as in nearly every private equity acquisition, private equity firms benefit from a legal double standard: They have effective control over the companies their funds buy, but are rarely held responsible for those companies' actions. This mismatch helps to explain why private equity firms often make such risky or shortsighted moves that imperil their own businesses. When firms, through their takeovers, load companies up with debt, extract onerous fees or cut jobs or quality of care, they face big payouts when things go well, but generally suffer no legal consequences when they go poorly. It's a "heads I win, tails you lose" sort of arrangement — one that's been enormously profitable.

But it isn't just that firms benefit from the law: They take great pains to shape it, too. Since 1990, private equity and investment firms have given over \$900 million to federal candidates and have hired an untold number of senior government officials to work on their behalf. These have included cabinet members, speakers of the House, generals, a C.I.A. director, a vice president and a smattering of senators. Congressional staff members have found their way to private equity, too: Lobbying disclosure forms for the largest firms are filled with the names of former chiefs of

staff, counsels and legislative directors. Carlyle, for instance, at various times employed two former F.C.C. chairmen, a former S.E.C. chair, a former NATO supreme allied commander, a former secretary of state and a former British prime minister, among others.

Such investments have paid off, as firms have lobbied to protect favored tax treatments, which in turn have given them disproportionate benefits when their investments succeed. The most prominent of these benefits is the carried interest loophole, which allows private equity executives to pay such low tax rates. The issue has been on the national agenda since at least 2006, and three presidents have tried to close the loophole. All three have failed.

Most recently, in 2021, as part of his first budget, President Biden proposed to end the benefit for people with very high incomes. But as he made his pitch, private equity opposition surged, and the largest firms each spent \$3 million to \$7 million on lobbying that year alone. One firm, Apollo Global Management, employed the former general counsel to the House Republican caucus, a former senior adviser to a past speaker of the House, a former chief of staff to another speaker and a former senator, plus more than a dozen other former officials.

As the plan wound its way through Congress, it grew weaker, and by the fall of 2021, the proposal to end the benefit was no longer a part of Mr. Biden's budget negotiations. Instead, Congress approved an amendment that largely exempted small and midsize companies owned by private equity firms from a new corporate minimum tax. It was an obscure but important consideration, and with it, private equity firms managed not just to protect a preferred tax advantage — the carried interest loophole, which benefited people like Blackstone's Stephen Schwarzman, whose income in 2022 was 50 times that of the chief executive of Goldman Sachs — but also to win a new one.

The story further explains why the actions of private equity firms often have such sorry consequences for everyone except themselves. By protecting favored tax benefits, firms receive disproportionate gains when their strategies succeed. But,

insulated from liability, they face little consequence if those plans fail. It's an incentive system that encourages risky, even reckless behavior like that at ManorCare, and is designed to work for private equity firms and no one else.

But if private equity firms are powerful, so too are ordinary people, who've had surprising success confronting firms regarding unaffordable prison phone calls and surprise medical bills, among other issues. Even if we're unlikely to fix our tax code soon, activists and others can still push to update our laws and hold private equity responsible for its actions. Congress can clarify that firms can be sued for wrongs committed by companies they effectively control. States and cities can do the same when portfolio companies are based in their jurisdictions. By making private equity firms responsible for their own actions, we can build a better — and fairer — economy, and make tragedies like that at ManorCare less likely. All we need is the courage to act.

Brendan Ballou (@brendanballou) is a federal prosecutor and served as special counsel for private equity at the Department of Justice. He is the author of the forthcoming "Plunder: Private Equity's Plan to Pillage America," from which this essay is adapted. The views in this essay do not necessarily reflect those of the Department of Justice.

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https://www.unionleader.com/opinion/op-eds/melbourne-r-moran-jr-critical-role-of-small-businesses-in-mental-health-care/article_d6dd4b18-df5d-4f61-84dd-cd95adf9e2eb.html

Melbourne R. Moran Jr.: Critical role of small businesses in mental health care

May 21, 2025



Melbourne Moran Jr.
Ryan Smith Visuals

MAY IS Mental Health Awareness Month – a time to break the stigma, promote education, and encourage access to care. As our country faces rising rates of anxiety, depression, and burnout, the need for mental health services has never been greater. While awareness campaigns and national organizations play critical roles, one often-overlooked cornerstone of mental wellness is the small-business mental health agency – the local clinics, practices, and providers who are deeply embedded in the communities they serve.

These local mental health agencies are not branches of large corporations. They are local mom and pop counseling shops owned and operated by licensed clinicians who live and work right alongside their clients. These professionals aren't answering to shareholders or national franchise boards – they're answering to the needs of their neighbors.

Hon. Melbourne Moran Jr. is CEO of Wanderlust Therapeutic Services, PLLC. He lives in Nashua.

