

## Written Testimony

Jill Bommarito, Founder and CEO of Ethel's Baking Company  
House Small Business Committee Hearing – January 18, 2024, 10 am et

My name is Jill Bommarito. I am the founder and CEO of Ethel's Baking Company located in Metro Detroit, Michigan. The company is named after my grandmother who inspired me and taught me to bake. We are a leading wholesale gluten-free bakery specializing in dessert bars and cookies. We are sold in grocery and specialty stores, airports, hospitals, universities, and convenience stores in 49 states. I am also an alumna of the Goldman Sachs *10,000 Small Businesses* program, graduating from the first Detroit cohort in 2014.

It is an honor to be here today. I appreciate your invitation and your attention to how a lack of access to capital is a barrier for small business growth.

Ethel's Baking Company is currently at \$5MM in annual revenue and growing with 26 full-time employees. I started my gluten-free baking business in 2011 leasing a church kitchen with a \$10,000 loan from my mother and one employee besides myself.

Celiac Disease has been in my family for over 40 years. Sharing amazing food together is important to me. My promise is that anything we make will be number one in taste and quality, period, and loved by all. I want those with wheat restricted diets to feel like the rockstar of the party when they bring dessert not relegated to the "other" table, with less-than options.

I took the traditional recipes and ways of the past, along with a little magic, and launched Ethel's. I took orders on Mondays, baked Monday through Wednesday, invoiced and packed orders for wholesale deliveries on Thursdays, delivered on Fridays, worked Eastern Market from 6am-3pm on Saturdays, shopped and restocked on Sundays and started all over on Monday. It is all hard work, but it feels like a gift, to be able to do this.

Six months into our business, Whole Foods Midwest division called us and asked Ethel's to supply the Midwest's 75 stores with our Pecan Dandy, the bar that started the company. We needed to find a way. We had quickly went through that initial \$10,000 dollars along with personal savings and needed to find additional money for expansion. We leased our first 1,300 square foot building and went to work building it out.

Like many small business owners, I quickly learned that accessing capital through traditional lending institutions was impossible without two years of business profitability to show. That barrier led me to borrow from friends and family as well as to dip into our personal savings and 401k to fund the business growth.

In fact, I wasn't able to secure my first business loan until 2016 — over five years after I started the company. This was only possible because we had been able to purchase the leased building from our landlord with a land contract agreement in 2015. With the appreciation, we were able to use that as the collateral for a loan. That paid off our credit cards, refinanced the building and freed up an additional \$30,000 for working capital. That allowed us to double our space to 2,600 square feet and meet additional demand.

We continued to grow and needed additional working capital- that is the money that funds the receivables and inventory as they continue to rise. But a second barrier arose — I learned that traditional lenders, who are reluctant to lend to small business owners in the early stages of business, are also reluctant to lend to businesses that are growing quickly.

For small business owners, this feels contrary to the American Dream; it feels like we aren't important or that our needs are secondary. But daring to dream big, to innovate, to create jobs and take on the risks of starting something new is important. We do matter. We are the foundation of our economy.

In 2019 with distribution expanding, we had reached our capacity. The only way to access capital to continue to expand was to sell equity in my company. This allowed me to build out a 20,000 square foot manufacturing space in order to meet demand and have access to working capital from the investors, as well as to start that next level banking relationship. If I had not chosen to do this, we would have had to turn down business, halt growth and hiring, and basically stop taking advantage of opportunities. This is a continued bottleneck for all small businesses in one way or another.

As we continue to grow our customer base and momentum continues to build with purchase orders from large retailers like Costco, Target, and Whole Foods, more incremental working capital is needed.

When small business owners like me can't access a loan when we're growing, we're effectively faced with **three choices**:

- 1) Deplete personal and retirement savings, which I had already done multiple times before
- 2) Utilize high interest options, like credit cards and non-traditional lenders, i.e. predatory lenders, with interest rates upwards of 25% and terms that often exploit small businesses owners; or
- 3) Sell equity to raise capital

My relationship with our lender is strong, but the fact is that businesses like mine — growing at a fast rate and in the food sector — are deemed risky, especially after the pandemic. This has led me to sell additional equity in order to meet lending requirements to increase our working capital line of credit. This marks the third time I've sold a portion of my business in order to grow. Let me say that I feel extremely fortunate. I've built a business that others see as valuable with great potential. That has been my dream. With that, I have been able to get investment and sell equity. That is not an option for so many small businesses.

Here's the truth: My ability to access capital for my business is my top concern every single day. That's not unique to me. It's true for every small business. I have conversations, daily, with other small businesses that are up against these same challenges. Independently we do not have a voice, but collectively we can. We need your help.

It's very troubling that the Federal Reserve is considering a proposed rule — Basel III Endgame —that would further restrict access to capital for small businesses.

I fear that, if enacted, this rule would not only cut off many small businesses from accessing capital they need to grow, but it will push small business owners to predatory lenders because they'll have no other choice. I come from a family of successful small business owners, some of whom have been taken advantage of by predatory lenders. It's simply unconscionable.

From my perspective, I'd respectfully offer two things this Committee and Congress could do to help small business like mine:

- 1) **First, oppose Basel III Endgame and the capital restrictions it would inevitably force upon small businesses.**

I would like to extend my appreciation to Chairman Williams for expressing concerns about Basel III in a [letter](#) to the Federal Reserve. I would also like to thank Economic Growth, Tax and Capital Access Subcommittee Chair Meuser and Ranking Member Landsman, for leading a [bipartisan comment letter](#) to the Federal Reserve about Basel III's likely negative impact on small business lending.

With less capital available to lend, and small businesses already deemed "too risky" by traditional lenders, it's clear this Rule would further squeeze small businesses.

That is why I joined over 3,000 small business owners in our 10,000 Small Businesses Voices community who signed a [letter to the Federal Reserve](#) expressing our grave concerns about the impact of Basel III.

**2) And second, modernize the Small Business Administration (SBA) through reauthorization.**

As you know, the SBA has not been reauthorized by Congress in over 20 years. Small businesses could benefit from an agency that is as nimble and works at the speed of small business. Through Congressional reauthorization, the SBA could be charged with solving for the capital barriers that currently exist. In doing so, Congress would unlock American entrepreneurs' ingenuity and innovation, no longer obstructing small business owners who are growing quickly and expanding.

Thank you for your time, I will gladly answer any questions.