

Analysis of market data on sales of small businesses
by Steven Laing Ault

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Science in Business Education
Montana State University
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Abstract:
The major purpose of this study was to determine if there is any significant correlation between the selling price paid for small businesses computed on a going-concern basis and the income streams generated by them in the year of sale. This study was limited to one transaction data base of sales of small businesses, all asset purchases, from 1986 to 1992. No attempt was made to verify the data, since, the companies listed in the data base are private. Several estimates and assumptions were made to compensate for the limited availability of data. Information was not available as to historical earnings, projected earnings, growth rates or specific details of the financing agreements.

The major findings of this study were: 1) there is a statistically significant correlation between the income streams and the selling prices of the businesses, 2) in order of strength of correlation, the variance in the selling price of the businesses were explained by Pretax Net Cash Flow to Invested Capital, Pretax Net Income to Invested Capital, Pretax Net Income to Equity, and Pretax Net Cash Flow to Equity.

In general, as the income streams increased so did the selling prices. Variance in selling prices were most related to the ability to finance the acquisition, and least related to returns to owners. It was not the purpose of this study to determine the predictive value of the correlation coefficient. These correlations relate to small businesses only as a group, and thus do not address correlations either by industry, business type, size or by time period. Accordingly, the results of the study indicate only that some basic financial valuation theory is present in the small business market in which the businesses in this study exist.

More extensive and reliable data should be obtained for use in small business transaction data bases. Future studies can then be focused on areas not addressed in this study, specifically individual company business and financial risk factors. Finally, information on small business valuations and comparative transaction data should be standardized and made readily available to the buyers and sellers of small businesses.

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This thesis has been read by each member of the thesis committee and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style, and consistency, and is ready for submission to the College of Graduate Studies.

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Date 7/21/94

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ABSTRACT

The major purpose of this study was to determine if there is any significant correlation between the selling price paid for small businesses computed on a going-concern basis and the income streams generated by them in the year of sale. This study was limited to one transaction data base of sales of small businesses, all asset purchases, from 1986 to 1992. No attempt was made to verify the data, since the companies listed in the data base are private. Several estimates and assumptions were made to compensate for the limited availability of data. Information was not available as to historical earnings, projected earnings, growth rates or specific details of the financing agreements.

The major findings of this study were: 1) there is a statistically significant correlation between the income streams and the selling prices of the businesses, 2) in order of strength of correlation, the variance in the selling price of the businesses were explained by Pretax Net Cash Flow to Invested Capital, Pretax Net Income to Invested Capital, Pretax Net Income to Equity, and Pretax Net Cash Flow to Equity.

In general, as the income streams increased so did the selling prices. Variance in selling prices were most related to the ability to finance the acquisition, and least related to returns to owners. It was not the purpose of this study to determine the predictive value of the correlation coefficient. These correlations relate to small businesses only as a group, and thus do not address correlations either by industry, business type, size or by time period. Accordingly, the results of the study indicate only that some basic financial valuation theory is present in the small business market in which the businesses in this study exist.

More extensive and reliable data should be obtained for use in small business transaction data bases. Future studies can then be focused on areas not addressed in this study, specifically individual company business and financial risk factors. Finally, information on small business valuations and comparative transaction data should be standardized and made readily available to the buyers and sellers of small businesses.

CHAPTER 1

INTRODUCTION

"Fair market value" as defined by Revenue Ruling 59-60 is the amount at which the property would change hands between a willing buyer and a willing seller when the former is not under compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts (Fishman, 1992:2-29). According to the Principle of Substitution, "the value of a thing tends to be determined by the cost of acquiring an equally desirable substitute" (Miles, 1991:1). The basic theory behind business valuation is that the value of a company is equal to the present value of the expected future benefits of ownership (Fishman, 1992:2-3). In regards to valuations of small businesses Pratt states that:

> ... value is based largely on what is there now, as opposed to what might be there sometime. Would-be sellers are misled when they think they should be paid now what the business may be worth after the buyer brings his own magic show to the party. (Pratt, 1993:315)

How do these statements relate to one another?

For the buyer or seller of a small business, the available literature on how to determine the value of a small business is extensive, yet at the same time the

various methods and approaches for determining value become overwhelming to even those with accounting and financial backgrounds. An alternative way to determine the value of a small business is to refer to data on recent or past sales of small businesses and compare the selling prices of similar businesses to the one currently being bought or sold. According to Miles;

> The Direct Market Data Method, in which the value of a closely-held business is estimated directly from information on actual sales of other closely-held businesses, is the only truly objective method of appraising closely-held businesses. . . . All other appraisal approaches/methods involve significant amounts of subjective judgement on the part of the appraiser, with resulting potential for inaccuracy because of these judgements. (Miles, 1992:1-2)

In regards to business valuations, the authors of the book *Selling Your Business* state that:

> No valuation study, however exhaustive or detailed, can determine the actual market value of a company. Only buyers can do that. Regardless of the conclusions of any independent analysis and valuation, it takes two parties, a buyer and a seller, to agree on a price and complete a transaction. . . . Valuations are done in the abstract; transactions in the concrete, . . . unless the person preparing the valuation of a company subsequently makes an offer themselves, the valuation may prove to be meaningless. (Sperry and Mitchell, 1992:19-21)

Need for the Study

The interest in owning small businesses is increasing in the 1990's due to changes in cultural attitudes and values, corporate down-sizing and voluntary relocation.

There is also a trend towards buying an existing business rather than starting one. The reason for this is that buying an existing business is usually less risky and requires less time and energy compared to starting a business from scratch. At the same time, current demographics indicate that the supply of businesses for sale is increasing due to the large number of aging owners of the many businesses that were founded in the 1950's and 1960's. It has been estimated that the total market for small businesses is over $200 billion dollars on a yearly basis (Joseph, 1993:2-9).

The small business acquisition process is not common knowledge to most business persons until they are actually ready to buy or sell a business. However, this is now changing very rapidly as information about the small business market has increased through magazine and newspaper articles, books, computer programs and data bases. Many national newspapers and magazines have classified sections of businesses for sale throughout the country. In addition, the Multiple Listing Concept has improved the flow of information between buyers and sellers. The market place for small businesses has been expanding to almost anyone who is interested in participating (Joseph, 1993:2-9).

A study by Raymond C. Miles in 1992 that analyzed the International Business Appraisers (IBA) Market Data Base

of small-to-medium-sized closely-held businesses had the following observations and conclusions:

1. Price-to-earnings and price-to gross [sales] are almost equally valid criteria for estimating market value of businesses. This conflicts with the conventional wisdom that price-to-earnings ratio is the most significant performance criterion of a business.

2. In practice, price-to-gross ratio is especially useful for appraising closely-held businesses. This is because price-to-gross ratios are available for all sales in the IBA Market Data Base, while price-to earnings ratio is only available for some sales.

3. Empirical data for all business categories in aggregate do not show any significant change in business value as a function of time. This is contrary to the conventional wisdom that only recent sales should be considered when choosing guideline (comparable) companies.

4. The data show no significant correlation between selling price and percentage down payment. This differs from the conventional wisdom that a business sold for cash should bring a lower total price than one sold for terms.

5. As expected, business values as measured by price-to-earnings and price-to-gross ratios differ from one kind of business to another. However, this difference is not as large as might have been expected. This suggests that the search for guideline companies does not need to be limited to businesses in the same SIC category as the business being appraised. Thus, the search for guideline companies can reasonably include SIC categories other than the category assigned to the business being appraised.

6. Empirical evidence indicates that the "most probable price" for a business is significantly different from the average price of businesses that have been sold. Thus, when the standard of value is "most probable price," use of the average selling price of guideline companies can lead to a value estimate that is in error by a significant amount. (Miles, 1992:1-3)

This researcher's concerns about the findings of the IBA Market Data Base study are as follows:

1. Many of the findings, if evident in the publicly traded company markets, would indicate an inefficient market based on current financial market theory.

2. If the small business market is inefficient, does reliance upon data bases of past small business sales perpetuate this market inefficiency?

3. If the small business market is inherently different from that of the publicly traded business market, what are these differences and is there still some basic financial basis for the value of small businesses as determined by the market?

This study was undertaken to analyze actual market data on sales of small businesses to determine some general indication as to the relationship between the selling price and income streams of these companies based on current business valuation theory.

Problem Statement

The major purpose of this study was to determine if there is any significant correlation between the selling price of small businesses computed on a going-concern basis and the income streams generated by these small businesses in the year of sale.

Questions to be Answered

Data analyzed from this study were used to answer the following questions which pertain to the problem statement:

1. For sales of small businesses structured as asset purchases, is there any significant correlation between the reported earnings and the selling price in the year of sale?

2. For these same small businesses, with the sale price recalculated to a going-concern basis, and with adjustments made to the reported earnings, is there any significant correlation between the adjusted earnings and the selling price in the year of sale?

3. How does the correlation between the actual market data and the modified data compare and what are the ramifications if any?

Limitations of the Study

This study was limited by the researcher to one transaction data base of sales of small businesses, *BIZCOMPS*, by Jack Sanders. No attempt was made to verify the data since the companies listed in this data base are private. The data available is very limited compared to that available for the valuation of publicly held companies. As a result, the researcher had to make estimates and assumptions as to certain financial data that were not available within the original data base in order to analyze the selling price of the small businesses on a going-concern basis. All assumptions and estimates made are noted and

explained in the research procedures. Limitations on data in this study for which estimates were not made are:

1. Only the most current year's earnings data were available. No attempt was made to determine predicted growth, future earnings, or past historical earnings.

2. Due to the lack of historical earnings data, as well as limited information on the financing terms, no attempt was made to assess business risk or financial risk on an individual company basis and their effects on required rates of return for attracting debt and equity capital.

3. It was not possible to determine either deferred maintenance requirements or additional fixed asset expenditures necessary to sustain the existing level of earnings at the time of sale from the data.

This study was performed on the data base in total. Accordingly, information on subsets of data is not revealed by this study. If more data had been available, analysis could have been performed that involved separation of small business sales by industry, business type and time period. Finally, this study was limited to data available during the period of 1986 thru 1992.

Terminology

The following terms are defined by the researcher in order to insure clarity for the reader.

Beta: The covariance of the rate of return on the subject security with the rate of return of the market. (Pratt, 1989)

Business Enterprise: A commercial, industrial or service organization pursuing an economic activity. (American Society of Appraisers, 1992)

Business Risk: The uncertainty of income flows caused by the nature of the firm's business. A firm's business risk is measured in terms of the coefficient of variation of operating earnings, which is a function of sales volatility and operating leverage. (Reilly, 1989)

Business Valuation: The act or process of arriving at an opinion or determination of the value of a business enterprise or an interest therein. (American Society of Appraisers, 1992)

Capitalization Rate: Any divisor (usally expressed as a percentage) that is used to convert income into value. (American Society of Appraisers, 1992)

Discount Rate: A rate of return used to convert a monetary sum, payable or receivable in the future, into present value. (American Society of Appraisers, 1992)

Financial Risk: The uncertainty introduced by the method of financing an investment. The increase in uncertainty due to fixed-cost financing is referred to as financial risk or leverage and causes investors to increase their risk premium. (Reilly, 1989)

Goodwill: That intangible asset which arises as a result of name, reputation, customer patronage, location, products and similar factors that have not been separately identified and/or valued but which generate economic benefits. (American Society of Appraisers, 1992)

Going Concern: An operating business enterprise. (American Society of Appraisers, 1992)

Going-Concern Value: 1. The value of an enterprise, or an interest therein, as a going concern. 2. Intangible elements of value in a business enterprise resulting from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems and procedures in place. (American Society of Appraisers, 1992)

Income Stream: A generic term for any one of the many measures of economic income, i.e., seller's discretionary cash flow, net income, net free cash flow, etc. (Pratt, 1993)

Liquidity Risk: The uncertainty introduced by the secondary market for an investment. The ability to buy or sell an investment quickly without a substantial price concession. The greater the uncertainty regarding when the investment can be bought or sold, or the greater the price concession required to buy or sell it, the greater the liquidity risk is. (Reilly, 1989)

Rate of Return: An amount of income realized or expected on an investment, expressed as a percentage of that investment. (American Society of Appraisers, 1992)

Required Rate of Return: The minimum return necessary to attract a firm or investor to make an investment. Equals the risk-free rate plus a risk premium. (Pinches, 1990)

Risk: The degree of certainty or uncertainty as to the realization of expected future returns. Total risk is equal to systematic risk plus unsystematic risk. (Pratt, 1989)

Risk-free Rate: The interest rate on assets that are viewed as being free of any risk premium. In nominal terms, the risk-free rate equals the real rate of interest plus an inflation premium. It is often approximated by the return on Treasury bills. (Pinces, 1990)

Small Business: For purposes of this study (based on the *BIZCOMPS'* data base) a business with less than $5 million dollars in actual company value, with the average value of the businesses sold of approximately $450,000. (Sanders, 1993)

Systematic Risk: That portion of stock risk that is unique to the company. Risk arises from unexpected events affecting the company. Also known as diversifiable risk or company-specific risk. (Cooley, 1994)

Unsystematic Risk: That portion of stock risk that arises from general economic conditions affecting all stocks simultaneously. Risk arises from unexpected changes in general economic conditions. Also known as nondiversifiable risk or market risk. (Cooley, 1994)

Working Capital: The amount by which current assets exceed current liabilities. (American Society of Appraisers, 1992)

CHAPTER 2

REVIEW OF LITERATURE

Introduction

The review of literature encompassed material that focused on normalizing the financial statements of a business, valuation theory, differences between large and small businesses, different concepts of value, common errors made in the valuation of small businesses, and existing data on sales of small businesses.

Review and Adjustment of the Financial Statements

> The process of determining the price begins with normalizing the company's financial records. Neither the balance sheets nor the income statements of smaller, privately held companies necessarily bear any relationship to reality. (Murphy, 1982:208-209)

According to Schroeder, common items requiring adjustment when normalizing the financial statements include the following:

1. Eliminating expenses related to minimizing taxes. Adjustments may be required due to the owner legally expensing non-essential business expenditures such as travel and entertainment, overpaid children on payroll, etc.

2. Eliminating items that are not a normal part of the business operations such as insurance settlements, sales of assets, unproductive assets, etc.

3. Adjusting accounting data from historical cost to fair market value. Items affected may include plant, property and equipment, depreciation, inventory, receivables, intangibles, etc.

4. Adjusting owner compensation to separate return on investment from the value of the owner's work. This may include either excess or insufficient compensation for work as well as owner perks.

5. Adjusting for understated or overstated operating costs such as operating short-handed, excessive overtime, deferred repairs and maintenance, etc.

6. Taking into consideration financing decisions versus operating decisions. The earning capacity of a business is a totally separate concept from how it is financed. Adjustments may need to be made depending on how the new owner intends to finance the purchase (Schroeder, 1989:19-23).

Pratt recommends the following procedures for the review and adjustment of financial statements:

Balance Sheet:

1. Review the subject company's balance sheet as close to the valuation date as possible.

2. Restate each of the company's assets from their book value to fair market values.

3. Restate each of the company's liabilities from their book value to fair market values.

4. Restate the balance sheet to include any assets and liabilities of the company that are not on the original balance sheet.

5. Calculate the company's equity value by subtracting the fair market value of the liabilities from the fair market value of the assets (Pratt, 1993:90).

Income Statement:

1. Review copies of the company's income statements for a five-year period prior to the expected sale or valuation date.

2. Modify the company's historical income statements to a normalized basis to calculate the company's true earning power.

3. Eliminate any non-recurring items.

4. Modify the income statements to incorporate unrecorded expenses whether actual or potential.

5. Modify the latest income statement prior to the valuation date to take into account any predicted changes in business, such as the expected loss of a major customer.

6. Remove nonoperating income and expenses from the historical income statements (Pratt, 1993:106).

Valuation Concepts, Approaches and Methods

The researcher will rely heavily on the *Guide to Business Valuations* for the overview on valuation concepts, approaches, and methods. Published in 1992, this book is a joint effort between practicing business valuation practitioners in the public accounting profession and in financial consulting firms. This text provided an excellent overview of the theory behind business valuations, as well as the detailed steps to apply this theory to actual business valuation engagements.

Valuation Concepts

The three basic valuation concepts that are the basis for valuation approaches and methods are as follows:

Income Concept - This involves an estimate of the future benefits of ownership and discounts these benefits to

a present value using a rate that is appropriate for the specific risks involved in operating the business.

Market Concept - This involves analysis of comparative companies either public or private and/or comparative transactions as a basis for value. It is assumed that recent sales of similar businesses will provide an estimate of value.

Cost Concept - This involves an estimate of the cost of replacing or reproducing business assets less an allowance for physical wear and obsolescence, as a basis for value. This concept is used mainly for businesses with little value perceived beyond their tangible assets.

Valuation Approaches

One or more valuation approaches may be used in applying the valuation concept chosen, and, depending on the benefit stream used to estimate value, one or more valuation methods may be used to apply a valuation approach chosen. These approaches are as follows:

Capitalized Returns - This approach involves dividing the company's current returns, either on an earnings or cash flow basis, by a capitalization rate. This approach is used when a company's future earnings are not expected to vary significantly from present earnings, or where future earnings growth is at a predictable rate. The

capitalization rate is determined by subtracting a company's average expected growth rate from its discount rate.

Discounted Future Returns - This approach may be used if the company's future returns are expected to be quite different from the present level due to changes in business structure, or expected economic changes, but only if reasonable estimates of future returns can be made. The company's future returns must be estimated, either on an earnings or cash flow basis, until these returns have reached a stable level. An estimate of the company's terminal value is made once it has achieved stable returns. A value for the company is then computed by determining the present value of the estimated future returns, including the terminal value, using a discount rate that reflects the total rate of return that investors would require given the inherent risks of ownership of the company.

Value Multiples Involving Comparative Data - This approach involves obtaining a list of comparable companies and determining a value multiple, i.e., price/earnings, and multiplying this value by the appropriate benefit stream or other variable for the business being valued. The earnings of the comparative companies should be measured in the same way, and for the same time period as the company being valued. Also, value multiples obtained from comparative companies must often times be adjusted to reflect

differences in operating characteristics such as size, expected growth, and financial risk.

Underlying Assets - This approach involves using individual asset values, either fair market value or liquidation value depending on whether the company is a going concern or not, to determine a company's value.

Other Methods

These are methods that are based on a combination of approaches, and are usually used to value very small businesses. They are described as follows:

Excess Earnings Method - This method was developed by the Treasury Department in Revenue Ruling 59-60. A fair rate of return (cost of debt plus 1-2 % premium) is computed on the company's tangible assets. Excess earnings are computed by subtracting the return on tangible assets from the company's net earnings. This excess earnings amount is then divided by an appropriate capitalization rate for the company to determine the present value. This present value amount is then added to the fair market value of the tangible assets to arrive at the company's value.

Seller's Discretionary Cash Flow Method - This method is used for small businesses where the owner is also the principal employee, so that the buyer is not only purchasing a business, but a job as well. The seller's discretionary cash flow is calculated by adding the business's pre-tax

earnings, the owner's salary and benefits, interest expense and non-cash expenses, less any expected capital purchases. This amount is multiplied by an appropriate value multiple related to the sale of similar businesses to determine a value for a potential owner/manager.

Rules of Thumb - These are formulas applied to specific operating measures within certain industries, i.e., a specific multiple of gross sales. Rules of thumb have many limitations, and should only be used as a measure of reasonableness of a value determined from another valuation approach or method. (Fishman, 1992:ch. 2, 4-10)

As was indicated in Chapter 1, the basic idea behind business valuation is that the value of a company is equal to the present value of the expected future benefits of ownership. There are many valuation methods, ranging from very sophisticated financial theory to rules of thumb, all of which are aimed at estimating the present value of future business ownership benefits.

Differences between Large and Small Businesses

An excellent introduction to the literature on valuations of small companies is addressed by Shannon Pratt in his book *Valuing Small Businesses and Professional Practices*. Pratt notes that there are many practical differences between small and large businesses that require the use of different valuation techniques, even though the

basic valuation theory is the same. These differences are as follows:

1. Generally, small business financial statements have a lower level of accounting procedures performed, such as a compilation report instead of a review or an audit.

2. Small businesses may be using cash basis accounting rather than accrual-basis accounting.

3. The track record of operations for smaller businesses tends to be shorter and more variable than for larger businesses.

4. Sales of small businesses usually involve seller financing and are on terms other than cash.

5. There is little reliable comparative transaction data available on small companies compared to that of publicly traded companies.

6. The role of the owner/manager during the critical transition process in a small business sale is unique to small businesses.

7. Small businesses are often times bought and sold for reasons other than investment purposes.

8. There is variation in accounting policies. Small businesses try to minimize taxable income while public companies try to maximize earnings for shareholders.

9. Owner's compensation in a small business, usually is more related to what the business can afford, whereas in larger companies the marketplace determines owner's compensation.

10. Business organization for small companies typically include sole proprietorships, partnerships and Subchapter S corporations.

11. Earnings analysis is usually performed on a pretax basis for small businesses versus an after-tax basis for larger businesses (Pratt, 1993:48-60).

Differences in Risk between Closely-Held and Publicly Traded Companies

According to Pratt, most owners of closely-held businesses would not have their investments diversified to the degree of investors owning publicly traded stocks. This would imply that a small business owners' required rate of return should include an additional risk premium due to the presence of unsystematic risk. Accordingly, the investor should analyze indicators of business and financial risk, such as, variability of earnings and return on equity, and leverage ratios, in order to assess the added risk premium.

Assessing the systematic risk, or that portion of risk related to movements in the overall market, is difficult to do for a non-public company, since a historical price series usually would not exist for closely-held businesses. One alternative, according to Pratt, involves comparative analysis with very similar businesses that do have a measure of systematic risk, or beta. The other involves adding a small stock equity risk premium over and above the equity risk premium for S&P 500 stocks to the risk free rate to arrive at a required rate of return. This would be a substitute for multiplying the equity risk premium by a beta factor. Neither of these alternatives would probably be very practical for this study, since both alternatives rely on comparisons with smaller publicly traded stocks which

would still be much larger in size, and hardly comparable to the businesses represented in this study.

Systematic risk may not be as big a risk factor for closely-held companies as it is for publicly traded companies. Pratt feels the average buyer of a closely-held company has a longer investment time horizon in mind than does the normal investor in public stocks. Accordingly, investors in closely-held companies are usually not as concerned with short-term swings in the expected rate of return in the stock market, but rather look at the average rate of return over time (Pratt, 1989: 51,76). In a somewhat related matter, Miles explains that studies in which price to earnings ratios of closely-held companies were found to be basically independent of the year of sale are possibly explained by the fact that "the total return required by investors on closely-held businesses is so large that changes in interest rates have relatively little effect on the total P/E ratio." (Miles, 1992:7)

Defining Value

According to Sperry and Mitchell, the value of a business is determined by a combination of factors which include a company's assets, past and expected future earnings, the outlook of its industry and geographic market, and intangibles such as quality of management and products. In addition, value is affected by the different perspectives

and motivations of potential buyers and sellers (Sperry & Mitchell, 1992:19-21). Pratt points out that the notion of only one value for a business is a myth since different standards of value may be applicable in different circumstances depending on buyer and seller objectives and perspectives (Pratt, 1993:35).

Standards of value are further modified by premises of value which are assumptions as to the circumstances surrounding the sale transaction that define under what conditions the buyer and seller will transfer the business interest. The value of a business is even more clearly defined when the business interest being valued is determined. Finally, value is affected by the terms of the sale transaction (Pratt, 1993:30-34).

Standards of Value

Pratt explains that a standard of value refers to the type of value being sought. It may be established by the wishes of the parties involved, law or legally binding contracts. Common standards of value are listed as follows:

Fair Market Value - As indicated in Chapter 1, fair market value is defined by Revenue Ruling 59-60 as the amount at which the property would change hands between a willing buyer and a willing seller when the former is not under compulsion to buy and the latter is not under any compulsion to sell, and both parties having reasonable

knowledge of the relevant facts. The definition implies that the parties have the ability as well as the willingness to buy or to sell. The market in this definition is considered as all potential buyers and sellers of similar businesses. The concept of fair market value also takes into account prevalent economic and market conditions at the date of the valuation. Fair market value assumes a value in cash or cash equivalents unless otherwise stated (Pratt, 1993:24-26).

Investment Value - The following definition of investment value by Boyce, is used in real estate appraisal:

> value to a particular investor based on individual investment requirements, as distinguished from the concept of market value, which is impersonal and detached. (qtd. in Pratt, 1993:26)

Reasons why investment value to a buyer or seller may differ from the fair market value include:

1. Differences in estimates of future earning power.
2. Differences in perception of the degree of risk.
3. Differences in tax status.
4. Synergies with other operations owned or controlled.

Investment value is basically developed using the discounted future returns valuation method. This value may or may not represent fair market value depending on whether the assumptions used by an individual would be accepted by a majority of buyers and sellers. If after careful analysis the investment value of a business is greater to the buyer

than the market value, then the rational decision for the buyer is to purchase the business. The same scenario for the seller would result in not wanting to sell the business until the market conditions became more favorable.

The concept of investment value is not completely separate from that of fair market value. Eventually the actions of many specific investors will establish an equilibrium market price that represents the consensus value of the collective investors (Pratt, 1993: 26-27).

Intrinsic or Fundamental Value - This represents an analytical judgment of value based on the perceived characteristics inherent in the investment and how they are interpreted by one analyst versus another. Pratt refers to authors Lorie and Hamilton who comment on the notion of intrinsic value as follows:

> The purpose of security analysis is to detect differences between the value of a security as determined by the market and a security's intrinsic value - that is, the value that the security ought to have and will have when other investors have the same insight and knowledge as the analyst. (qtd. in Pratt, 1993:29)

Again, the concept of intrinsic value is not completely separate from the concept of fair market value, since it is the actions of buyers and sellers based on their specific perceptions of intrinsic value which change market value over time (Pratt, 1993:28-29).

Premises of Value

Premise of value is described by Pratt as "an assumption as to the set of circumstances under which the sale transaction will take place." Examples include the status of the business being transferred, going-concern value versus liquidation value; and the degree of control transferred, majority versus minority interest. Going-concern value refers to the business being sold as an operating entity with assets, inventory and workforce in place, ready to conduct business. Liquidation value is just the opposite, describing the net realizable value of the sale of assets if the business is terminated (Pratt, 1993:30-31).

Describing the Business Interest Being Valued

It is important to distinguish between equity and invested capital when describing value. Equity is the ownership interest. Invested capital, in the case of small businesses, includes both equity and all interest-bearing debt, both short-term and long-term.

It is also important to describe what is being purchased. Most small business sales are transferred on the basis of assets rather than stock. Assets commonly included in the sale of a small business include inventory, fixed assets such as leasehold improvements, furniture, fixtures, and equipment; and intangible assets such as patents,

goodwill copyrights, customer lists, etc. Usually sales exclude cash and the receivables which the former owner retains and collects. It is also common practice to separate the value of the business from the inventory. The inventory is handled either as a totally separate transaction or added on to the value of the business (Pratt, 1993:15-16,33).

Real estate may or may not be included in the sale. The preferred method of dealing with real estate is to separate the real estate value from the value of the other business assets, especially if the real estate is not an integral part of the business (Pratt, 1993:15-16,63).

One reason for purchasing only the assets of a business is to avoid legal liability for past activity of the business that can be transferred under a stock purchase. In addition, the purchase of assets from an incorporated business allows the purchaser to write-up the value of the assets, providing a higher depreciable basis producing a tax advantage over a stock purchase (Joseph, 1993:163).

Adjusting Value for the Terms of Sale

According to Pratt, most small business sales typically include a cash down payment somewhere between 20 and 40 percent of the transaction price, with the balance financed by the seller on a contract to be paid usually over a few years. This type of arrangement is common since the buyer

of a small business usually does not have the personal resources to pay the full purchase price in cash, and most lending institutions would not regard the business being purchased as adequate collateral to support a long-term loan. These contracts are usually interest-bearing contracts, but the rate of interest on them is almost always below a market rate. Most third-party lenders would charge higher rates on loans with comparable collateral and the same terms as those in seller-financed contracts. As a result, the fair market values of these contracts in terms of cash or cash equivalents are usually less than their face values. Therefore, it is worthwhile for parties dealing with small business transactions to convert the price to an equivalent cash value (Pratt, 1993:284).

An appropriate market interest rate must consider both the high levels of financial risk employed in many of these seller-financed purchases, as well as the illiquid nature of the small business investment. According to Pratt, an installment note receivable, secured by the stock and/or assets of a small business is almost always considered to be more risky than corporate bonds or well-secured short-term loans to small businesses and, therefore, must have a higher market interest rate. In addition, there is no secondary market for installment contracts receivable for small businesses. As a result, an installment contract receivable on a small business sale usually would not have a quality

rating any better than grade Caa to C for corporate bonds, if that high (Pratt, 1993:288).

Common Errors in Valuations of Small Businesses

According to Pratt, the following errors are commonly made in valuations of small businesses:

1. Failure to identify what an individual is receiving for the purchase price.

2. Failure to estimate a realistic normalized earnings base.
   a. Reliance on past results without judgment.
   b. Failure to recognize any depreciation expense.
   c. Not allowing compensation to owner/operator.

3. Failure to consider the full cost of the purchase.
   a. Working capital requirements.
   b. Deferred maintenance.
   c. Other investment needed.

4. Assuming that the buyer will pay the seller for increases in future earnings related to the buyers management skills and strategy, or additional investment.

5. Failure to clearly identify and/or adhere to the applicable standard of value. (fair market value, investment value or intrinsic value, etc.).

6. Reliance on real estate appraisal methods.

7. Indiscriminate use of price/earnings (P/E) multiples.

8. Failure to recognize the different characteristics of publicly traded P/E multiples versus closely-held businesses P/E multiples.

9. Applying P/E multiples to earnings that are not comparable.

10. Applying P/E multiples when time periods are not comparable.

11. Using the reciprocal of the P/E multiple as the required rate of return.

12. Using capitalization rates from an earlier time period.

13. Other Errors in Deriving Capitalization Rates.
    a. Applying rates on safe investments to small business investments.
    b. Failure to match the capitalization rate with the earnings base.
    c. Mistaking historical results for required rates of return (Pratt, 1993:302-316).

Comparative Transaction Data Bases

As mentioned earlier, one of the problems with valuing small businesses is due to the lack of comparative transaction data. This is due mainly to the fact that there is no legal requirement that transfer of ownership of closely-held businesses be reported, whereas transactions in publicly traded securities and real estate are reported. Pratt mentions that to date there has been little data gathered, and that information available today is not much better than what was available several years ago. Information within available data bases are limited compared to what is normally available on publicly traded companies. In addition, it is usually not possible to verify the information on private companies. However, Pratt indicates that there are some promising new data bases that may improve the information available, and the existing data bases can be used to determine a reasonable range of value for a business (Pratt, 1993:490-505).

CHAPTER 3

RESEARCH PROCEDURES

Introduction

The major purpose of this study was to determine if there is any significant correlation between the purchase price paid for small businesses on a going-concern basis and the earnings streams generated by these small businesses in the year of sale. The literature review in Chapter 2 indicates that the valuation theory underlying business valuations is based on sound financial theory. The major areas of concern in assessing whether or not the small business market is efficient are:

1. Nonfinancial motivations of buyers and sellers of small businesses may prevent a consistent standard of value from being established.

2. There is a lack of comparative data on sales of small businesses that is reliable and comprehensive.

This chapter will describe: 1) sources of data; 2) selection and content of the secondary research data base of actual small businesses sales; 3) the statistical analysis to determine if there is any significant correlation between the sale prices and the earnings streams for these two sets of data; and 4) adjustments made to the

secondary research data for purposes of this study based on current valuation theory to produce a modified set of data on these same small business sales.

Sources of Data

The review process began with literature recommended by the Practitioners Publishing Company - a technical and educational publisher for certified public accountants; and the Institute of Business Appraisers, Inc., an international professional organization of individuals who appraise businesses. INFOTRAC, CATTRAC and the Business Periodical Collection at Renne Library on the campus of Montana State University were reviewed via subject and keyword searches for business valuation literature.

Selection of Secondary Research Data

Originally, the data on sales of small closely-held companies was going to be obtained from business brokers and public accounting firms using a survey instrument. After conversations with several of these firms it was determined that the information needed was considered confidential client information and could not be released. No readily available transaction data on sales of small businesses was available from the Montana Department of Commerce, Montana Department of Revenue, the Small Business Administration

office in Helena, Montana, and the Internal Revenue Service office in Bozeman, Montana.

In preparation to survey the business brokerage firms a 1993 directory of the International Business Brokers Association (IBBA) was obtained. This IBBA directory contained two advertisements concerning business valuation information and support. At this point in time, the literature review which had included material published up through July 1992 had not revealed any sources of information concerning recent actual sales of small closely-held companies that would provide the data necessary for this study. The first contact was Business Equity Appraisal Reports, Inc., in San Carlos, California. They recommended contacting Jack Sanders in San Diego, California, who is the author of the study, *BIZCOMPS*, an annual data base of recent small business sales. Sanders is a Certified Business Intermediary, a professional business appraiser, and a member of the Institute of Business Appraisers, and is an active business broker with a commercial brokerage firm in San Diego, California.

The *BIZCOMPS'* data base contains information on sales of small businesses including selling price, terms of sale, normalized earnings, date of sale and type of business. Sanders indicated that his *1993 National Industrial Edition* would probably be the most appropriate data base for this study. This data base focuses on larger manufacturing,

wholesale/distribution and service companies. These companies differ from his other annual studies of smaller businesses in that they tend to have more management in place as well as having larger asset bases.

Sanders has developed relationships with reliable information suppliers (other business brokers) directly involved in the sale of small businesses who provide sales transactions on a regular basis to make up his data base.

The *1993 National Industrial Edition* was ordered from Sanders for initial review. While waiting to receive the study, a copy of the book *Valuing Small Businesses and Professional Practices*, published in 1993 was obtained. This book, referred to several times in this study, includes a new chapter on transaction data bases, added since its first edition. The *BIZCOMPS'* data base was reviewed in this new chapter, as well as several other data bases. Pratt referred to the *BIZCOMPS'* data base as a "potentially promising recent development."

Secondary Research Data Contents

The *BIZCOMPS' Third Annual Study of Recent Small Business Sales National Industrial Edition for 1992* is a collection of transaction data on 136 small businesses sold during the period of 1986 through 1992. All sales of companies listed within the *BIZCOMPS'* data base were structured as asset sales. Sanders explained that in these

business sales the buyer is purchasing only furniture, fixtures and equipment, goodwill and possibly the existing inventory. Information used in this study from the *BIZCOMPS'* data base is presented in Appendix A. Transaction data listed for each business include:

SBIC - Small Business Industry Code

BUS TYPE - Business type

ANN GR - Annual gross sales for the most current fiscal year.

SDCF - Seller's discretionary cash flow; [net income before income taxes plus amortization, depreciation, other non-cash expenses and non-business related expenses (normally to one working owner), for the most current fiscal year.]

DATE - Date of business sale.

SALE PR - Actual sale price of business excluding inventory.

% DOWN - Down payment required of buyer by seller as a percentage of the actual selling price of the business.

TERMS - Terms of financing the remaining balance of the business to be purchased (usually through the seller) including term of loan, and the interest rate.

INV - Actual inventory (at cost) at time of business sale.

FF&E - Market value of fixtures, furniture and equipment operating in place.

During the various stages in this study, many of the companies from the original *BIZCOMPS'* data base were eliminated due to lack of complete information which is explained in Appendix A. From the original 136 businesses

listed in the *BIZCOMPS'* data base, 61 were eliminated, and 75 remained in the study.

Correlation Analysis of *BIZCOMPS'* Data

The research design included a statistical correlation analysis performed on the small businesses from the *BIZCOMPS'* data base by comparing seller's discretionary cash flow (SDCF), defined as normalized pretax income plus depreciation and amortization expense, with the actual sale price, made up of the fair market value of the fixed assets plus goodwill. Again, since it is uncertain from the *BIZCOMPS'* data base if the buyer purchased the existing inventory at cost, it has not been added to the sale price. The statistical correlation analysis is presented in Chapter 4.

Correlation Analysis of Modified Data

Comparisons were made using the various modifications explained later in this chapter to the original sales prices and SDCF from the *BIZCOMPS'* data base. The correlations compare the following adjusted earnings streams against the calculated going-concern price:

1. Pretax Net Income to Equity - This is a measure of return on equity (ROE). Pretax net income defined as SDCF minus depreciation, amortization and management salary. Equity defined as the buyer's downpayment on the business purchased.

2. Pretax Net Income to Investment - This is a measure of return on investment (ROI). Pretax income is computed on a debt free basis, that is before interest expense on both the seller financed note and working capital loan. Invested capital defined as the buyer's downpayment plus the amount of the seller financed loan and the working capital loan.

3. Pretax Net Cash Flow to Equity - This is a measure of return on equity (ROE). Pretax net free cash flow defined as pretax net income plus depreciation and amortization expenses, minus principle and interest payments on both the seller financed note and working capital loan.

4. Pretax Net Cash Flow to Invested Capital - This is a measure of return on investment (ROI). Pretax net free cash flow defined as pretax net income plus depreciation and amortization expenses. Invested capital defined as the buyer's downpayment plus the amount of the seller financed loan and the working capital loan.

Modification of *BIZCOMPS'* Data

There were two basic sets of modifications made to the *BIZCOMPS'* market data, modifications to convert the original selling price from an asset purchase to a going-concern basis, and modifications to the original seller's discretionary cash flow (SDCF) amount to several commonly used financial income streams.

Modification of Selling Price

As indicated in the review of literature, sales of small businesses usually involve only the transfer of fixed assets, inventory and goodwill, as is the case with all the businesses in the *BIZCOMPS'* transaction data base. As a result, to have an ongoing business, the buyer would have to

generate sufficient working capital to operate the business. In terms of the selling price of the business, this working capital amount would need to be added to the asset sale price to truly provide a selling price based on a going-concern basis. The reference source used to provide an estimate of working capital requirements for these businesses was *RMA Annual Statement Studies*. Since the businesses in the *BIZCOMPS'* data base included SBIC#, date of sale, and gross annual sales data, it was possible to estimate the working capital requirements for each business listed in the *RMA Annual Statement Studies*. *RMA* cautions that its studies be regarded as only general guidelines and not necessarily as industry norms. This is due to limited samples within categories, categorization of companies by their primary SIC code only, and different methods of operations by companies within the same industry.

RMA reports a Sales/Working Capital ratio. A listing of *RMA* data used in this study is presented in Appendix B. This ratio was inverted and multiplied by the gross annual sales for each company in the study. This calculation provides an overall estimate of total working capital. Although it is not stated whether the buyer of the business has purchased the inventory on hand at the time of sale, the working capital requirements were reduced by the inventory listed at cost to arrive at the net additional working capital requirements which are presented in

Appendix C. Whether the inventory level owned by the business at the time of sale was at a normal level for the size of business involved cannot be determined from the data used in this study.

Several assumptions were made concerning the financing of the required working capital. For those businesses that were purchased entirely with cash, it was assumed that the buyer would personally provide the working capital. For those businesses where the seller financed a portion of the purchase price, it was assumed that the buyer would have to take out a loan to finance the required working capital.

The second major adjustment to the asset purchase price involves the seller financing terms. As brought out in the review of literature, most interest rates provided by the seller are well below market rates for investments with similar risk. For purposes of this study, the market rate of interest for installment contracts for the purchase of a business was estimated to be that of an actively traded junk bond.

Barron's Market Laboratory section for bonds was used as the source to determine actively traded junk bond rates at the time of each business sale. For the years of 1989 thru 1992, the firm of Donaldson, Lufkin & Jenrette provided a Treasury Junk Yield (TJY) Spread which calculated the difference between interest rates on actively traded, liquid

high yield bonds and 7-year treasury notes. This interest rate spread was added to the 10-year treasury bond yield (a listing of 7-year treasury note interest rates could not be found) to provide a market interest rate for the installment contracts. During the period of October 1990 thru February 1991, there was a large increase in the junk bond interest rate of almost 3 percentage points. For this study, the junk bond interest rate during this period of time was modified to reflect an average of those junk bond rates before and after this volatile period which would probably not have affected small business financing. For the years of 1987 and 1988 the firm of Solomon Bros. provided a TJY Spread index in the form of a graph. The interest rate difference was read as accurately as possible from a visual graph. Again, this interest rate spread was added to the 10-year treasury bond yield to provide a market interest rate for the installment contracts. An index for junk bond interest rates was not found for the year 1986. The listing of modified junk bond interest rates used in this study is shown in Appendix D.

Once these market rates of interest were determined, it was possible to determine the present value of the purchase price of the business on a going-concern basis. The present value calculation involved discounting the future principal and interest payments to the seller according to the contract terms using the calculated junk bond market rate of

interest. For purposes of this study, it was assumed that the installment contract would call for equal monthly payments over the loan period. These calculations are presented in Appendix E.

The selling prices of the businesses on a going-concern basis were determined by adding the original down payment, the present value of the balance of the seller-financed note and the estimated additional working capital required. These calculations are also shown in Appendix E.

Modification of Seller's Discretionary Cash Flow

The next set of modifications relate to the seller's discretionary cash flow figures from the *BIZCOMPS'* data base. In the analysis of returns on equity and on invested capital, depreciation and amortization expense must be subtracted from SDCF to produce a net income figure. The *BIZCOMPS'* database does not have the actual depreciation or amortization data for each business. Accordingly, the *RMA Statement Studies* were used to get an estimate of this data based on the percentage of gross sales that these expenses represent for similar sized business during the same time period. The *RMA* data are presented in Appendix B, and the calculations are presented in Appendix E.

Secondly, the SDCF figures do not take into account the actual value of the owner services to the business. As was indicated in the review of literature, this is a common

error in the valuation of a business. An attempt was made to estimate the value of the owner's services. Reliable data to estimate a management salary for the businesses in this study was not obtained. Neither local employment agencies or temporary personnel service firms had the necessary data. The data on owner's compensation in *RMA* is based on total owner's compensation, which in small businesses is related to minimizing taxes of the business rather than compensating the value of the services, and accordingly, was not used, although it was used as a comparison for reasonableness. As a last resort, a best estimate of the value of the owner's services was developed. It was estimated that a business with sales of $250,000 or less would have to pay a manager at least $30,000 per year. This base scale would be increased or decreased by 1 percent of sales that varied from the base of $250,000. In addition, it was assumed that the business would pay at least 10 percent of the gross wage as payroll tax expense in the form of FICA taxes, and State and Federal unemployment taxes. Due to differences in state requirements as to required coverage of owners, as well as rates, no allowance was made for worker's compensation insurance. In addition, no allowance was made for health care benefits since it varies from business to business as to whether health care benefits are offered, and the extent of the health care

benefits if provided. The calculations of the value of owner service are presented in Appendix F.

Finally, a calculation of the estimated annual interest expense on the seller-financed note as well as on the loan for additional working capital required was made. Instead of determining the actual first year interest expense, an average interest expense calculation over the period of the loans was made. The interest rate used for the seller note was the actual rate listed in the note terms from the *BIZCOMPS'* data base. For the working capital loan, it was assumed that the seller would not finance, and the buyer would have to find financing elsewhere and pay an interest rate at the junk bond rates used in the present value calculations. These calculations are presented in Appendix E.

In the analysis of returns on equity and returns on invested capital involving net free cash flow as the income stream, the value of the owner's services to the business was subtracted from SDCF. In addition, the calculation of return on equity includes an estimate of the total annual principal and interest payments on the respective loan amounts outstanding, and these were subtracted from SDCF.

CHAPTER 4

RESEARCH FINDINGS

Introduction

This chapter presents the statistical analyses of the research data. The selling prices and income streams compared in the correlation analysis are presented in Appendix G. The results are presented in Table 1 below.

Table 1. Correlation between Income Streams and Selling Prices of Small Businesses

Income Stream	Modified Going-Concern Selling Price		Actual Selling Price	
	r	r^2	r	r^2
Pretax Net Income to Equity	.69	.48		
Pretax Net Income Before Interest to Invested Capital	.71	.50		
Pretax Net Cash Flow to Equity	.57	.32		
Pretax Net Cash Flow to Invested Capital	.85	.72		
Seller's Discretionary Cash Flow (SDCF)			.82	.67

Note: For all correlation coefficients $p < .0001$, $n=75$

The table lists the correlation coefficient (r) and the coefficient of determination (r^2) for each of the five comparisons of income streams to selling prices for the small businesses. The Pearson product-moment correlation coefficient was used to calculate the correlation coefficients. The range of a Pearson correlation coefficient is from -1.00 to +1.00 with a negative number indicating negative or inverse relationship, 0.00 indicating no linear correlation and a positive number indicating a positive correlation between the variables. The larger the magnitude of the number in either direction the greater the correlation between the variables, income stream and selling price. The coefficient of determination indicates what percentage of the variance in the selling price of the business is explained by knowledge of the income stream.

Analysis of Individual Correlations

All correlation coefficients were positive, indicating some degree of positive relation between an increase in the income stream and an increase in the selling price of the business. Although it was not the purpose of this study to determine the predictive value of the correlation coefficient, an indication as to the relative strength of the individual correlation coefficients was based on the guidelines set forth in *A Practical Guide to Educational Research* (Cates, 1985:90). Finally, all correlation

coefficients tested as statistically significant, and not attributable to chance.

Pretax Net Income to Equity versus Going-Concern Selling Price

The coefficient of determination indicates that 48 percent of the variance in the modified going-concern selling price is explained by the knowledge of pretax net income to equity. The coefficient of correlation was .69 and indicates a fairly reliable relationship between the variables which could be useful for a reasonably accurate group prediction. The scatter diagram shown in Figure 1 illustrates this relationship.

Pretax Net Income to Invested Capital versus Going-Concern Selling Price

The coefficient of determination indicates that 50 percent of the variance in the modified going-concern selling price is explained by the knowledge of pretax net income to invested capital. The coefficient of correlation was .71 and also indicates a fairly reliable relationship between the variables which could be useful for reasonably accurate group prediction. The scatter diagram shown in Figure 2 illustrates this relationship.

Figure 1
(ROE) NET INC. VS. SALE PRICE

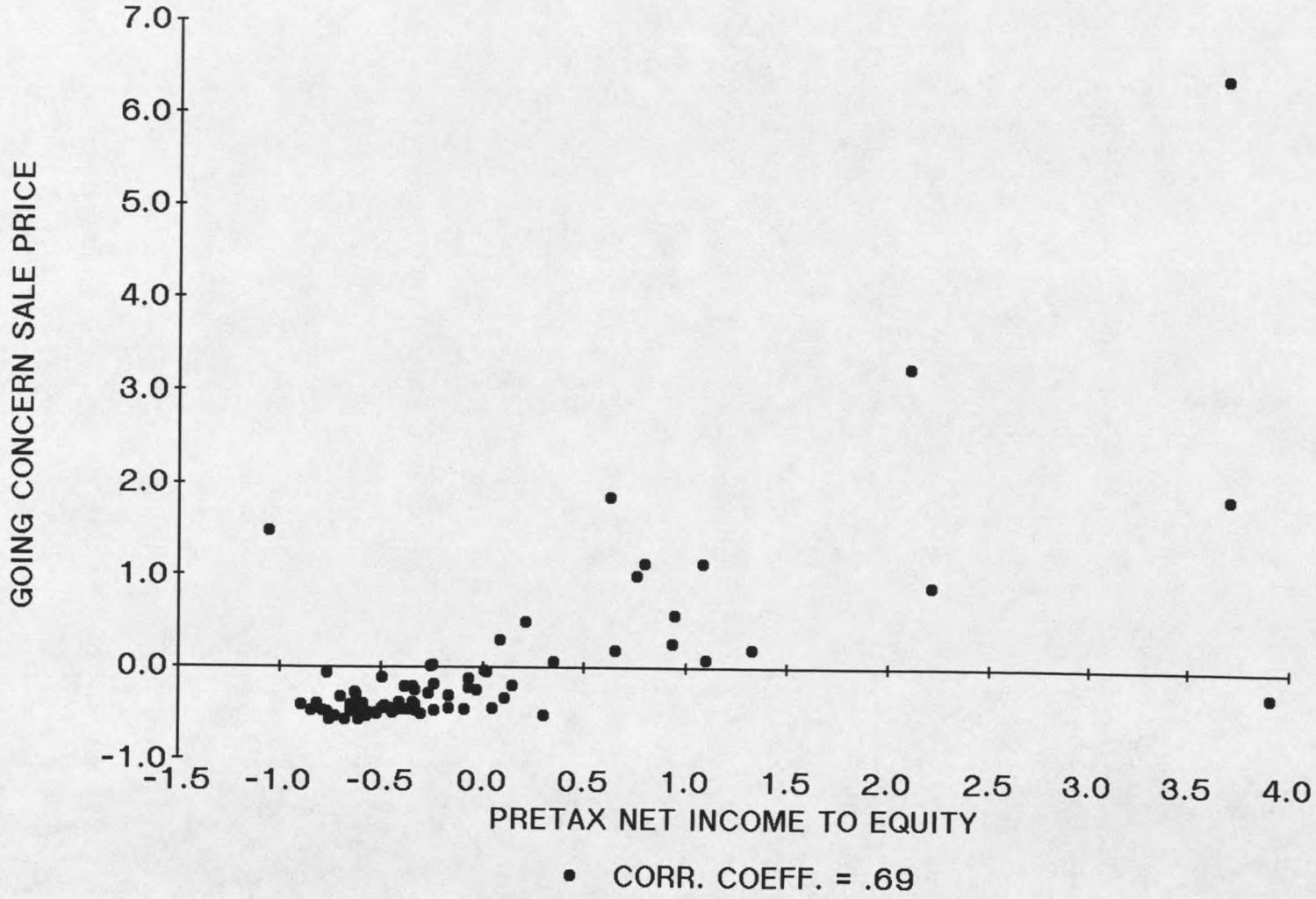
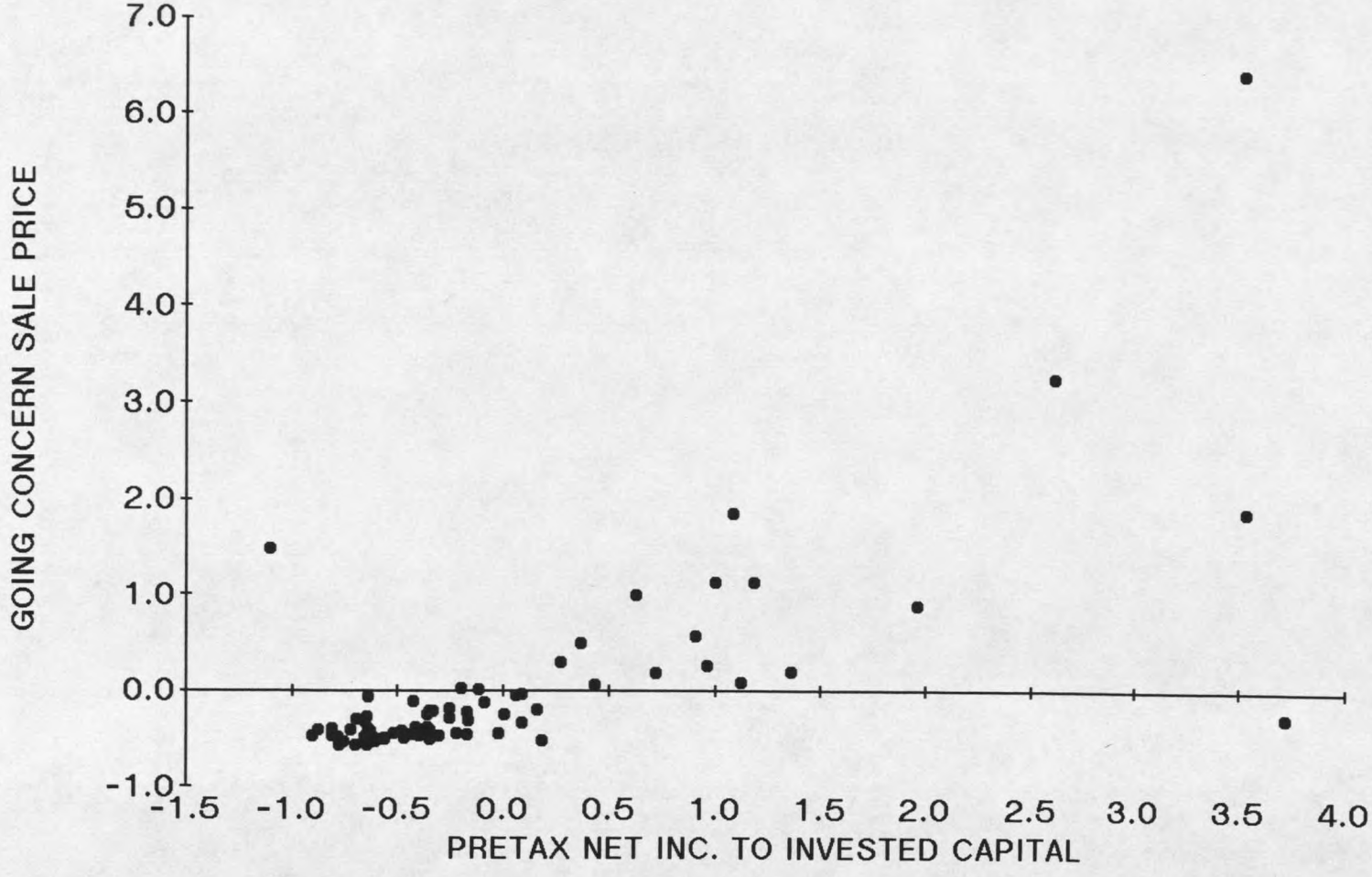


Figure 2
(ROI) NET INC. VS. SALE PRICE



Pretax Net Cash Flow to Equity versus Going-Concern Selling Price

The coefficient of determination indicates that 32 percent of the variance in the modified going-concern selling price is explained by the knowledge of pretax net cash flow to equity. The scatter diagram shown in Figure 3 illustrates this relationship. The coefficient of correlation was .57 and indicates a modest relationship between the variables and would only be useful for crude group prediction.

Pretax Net Cash Flow to Invested Capital versus Going-Concern Selling Price

The coefficient of determination indicates that 72 percent of the variance in the modified going-concern selling price is explained by the knowledge of pretax net cash flow to invested capital. The coefficient of correlation was .85 and indicates a dependable relationship between the variables and would be generally reliable for group and individual prediction. The scatter diagram shown in Figure 4 illustrates this relationship.

Seller's Discretionary Cash Flow versus Actual Selling Price

This comparison involved the original actual market data and serves as a basis for comparison for the modified market data comparisons. The coefficient of determination indicates that 67 percent of the variance in the actual

Figure 3
(ROE) CASH FLOW VS. SALE PRICE

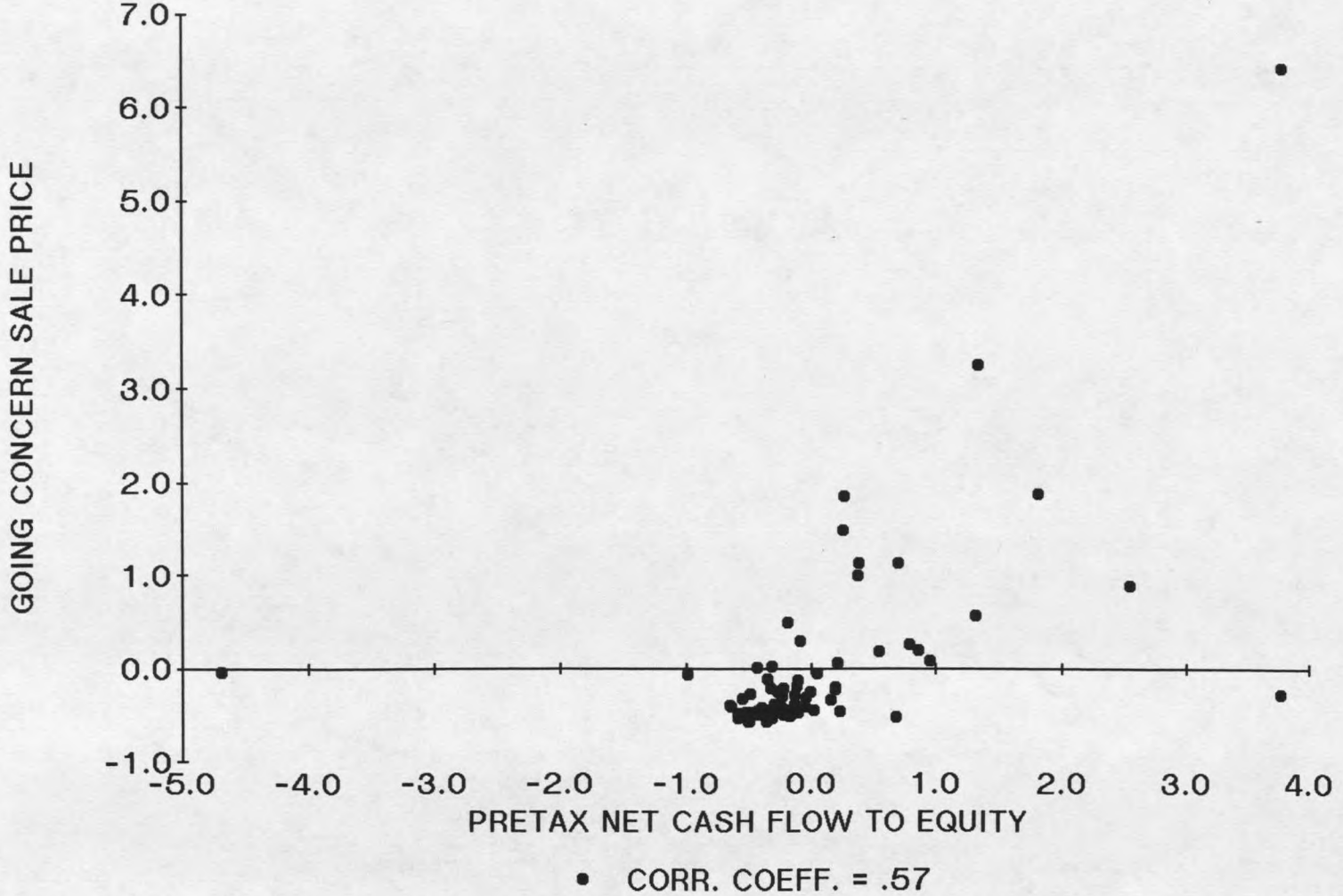
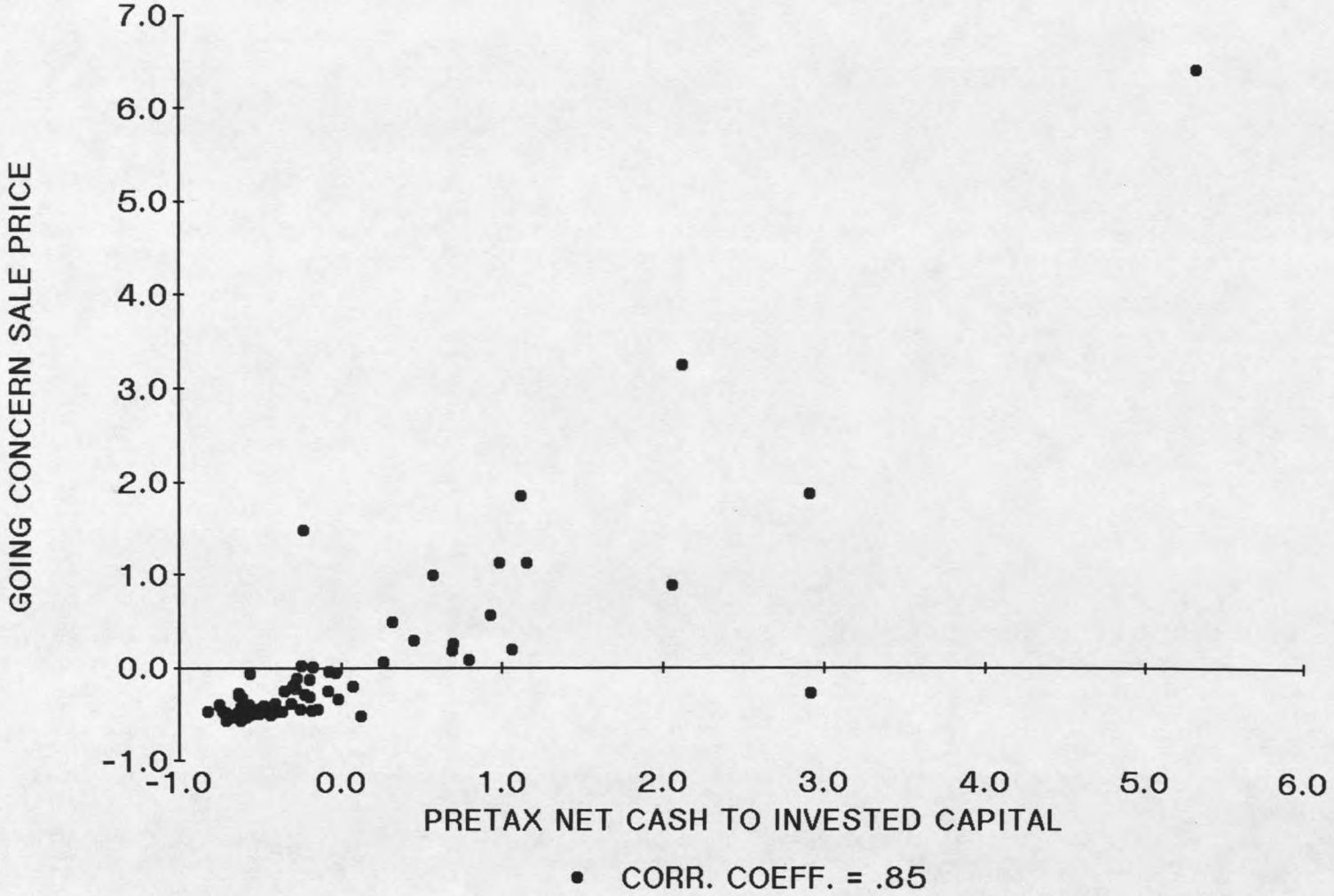


Figure 4
(ROI) CASH FLOW VS. SALE PRICE

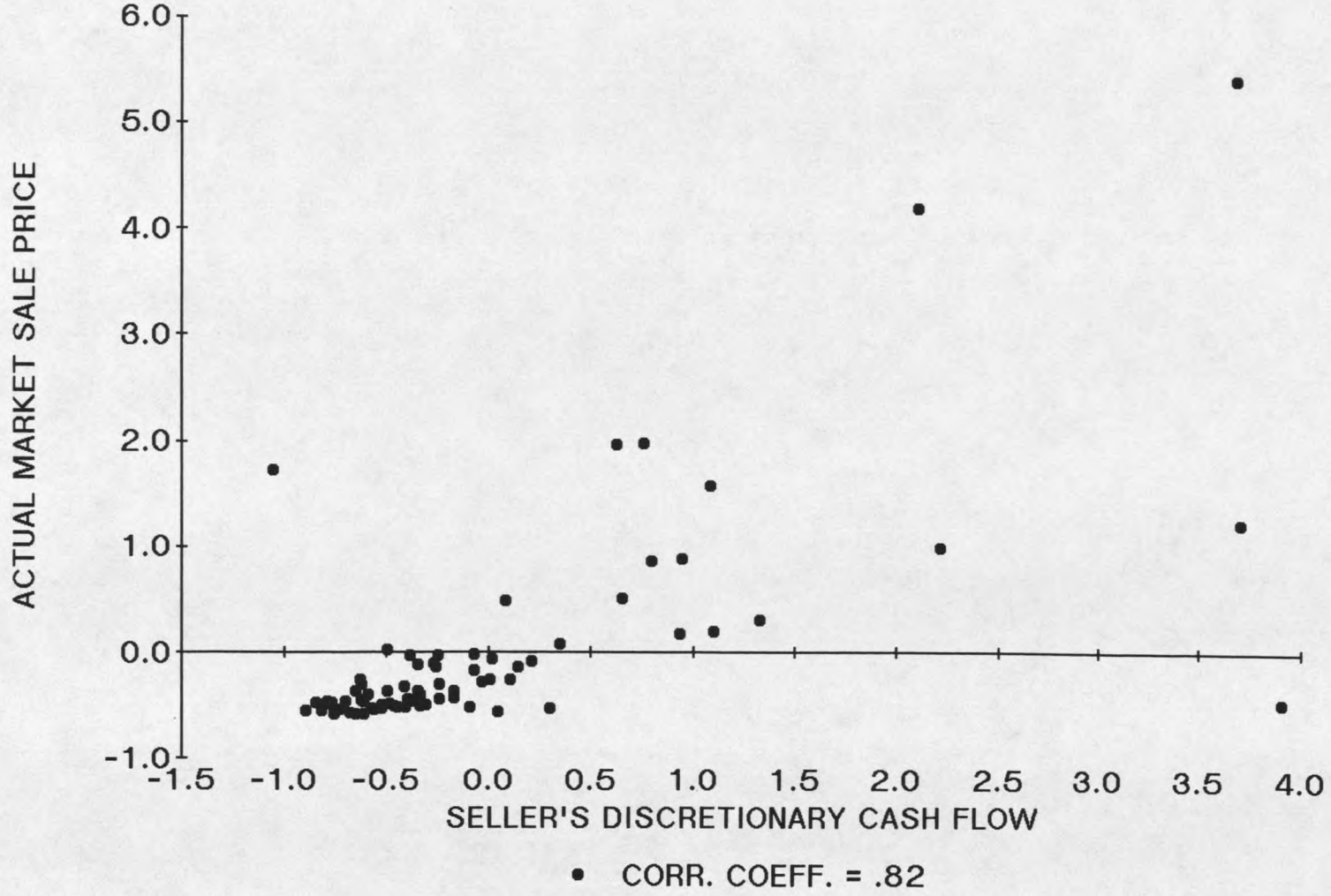


market selling price is explained by the knowledge of seller's discretionary cash flow. The coefficient of correlation was .82, and indicates a fairly reliable, almost dependable relationship between the variables which would be useful for reasonably accurate prediction for a group. The scatter diagram shown in Figure 5 illustrates this relationship.

Interpretation of Results

According to the statistical calculations of the coefficient of determination, the results indicate that knowledge of the pretax cash flow return to invested capital explains the variance in the purchase price on a going-concern basis better than any other of the income streams. This income stream is critical in determining the ability of the purchaser to meet the debt obligations used to finance the purchase of the business. This result would seem reasonable due to the large use of seller financing in these small business transactions, thus, a mutual interest between buyer and seller in the success of the business transition. It should be noted the comparison between pretax net cash flow to invested capital and the going-concern selling price, required the fewest modifications to the original market data, and accordingly reflects much of the actual market data correlation already existing between SDCF and the original asset sale price.

Figure 5
SDCF VS. SALE PRICE



The comparisons involving the pretax net income streams to invested capital and to equity produced similar statistical results, although both had lower correlations than the original market data comparisons.

The variance in the going-concern sale price was least explained by knowledge of the pretax net cash flow to equity. Net cash flow would normally be considered one of the most relevent income streams in financial investment decisions. Possible explanations for this disparity are; 1) the fact that the variance in business and financial risk and the resulting effect on required rates of return on an individual business basis were not compensated for in the research procedures (due to lack of available data and study design), 2) the small business market place, where sales are usually structured as asset purchases, does not factor individual company business and financial risk into required rate of return as well as it should, or 3) a combination of this study and the small business market failing to adequately assess business and financial risk and how it affects the required rate of return on an individual business investment.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The major purpose of this study was to determine if there is any significant correlation between the selling price paid for small businesses on a going-concern basis and the income streams generated by them in the year of sale. The review of literature indicated that the underlying valuation theory is extensive and sophisticated. The study was limited to the *BIZCOMPS'* transaction data base. Due to the limited data available on small business sales, several assumptions and estimates were made in order to provide the financial data necessary to adjust the actual market data to going-concern data.

The findings in Chapter 4 indicated that there is a significant positive correlation between the selling prices on a going-concern basis and the income streams of the small businesses in the year of sale. In addition, there is a significant positive correlation between the actual market selling prices structured as asset purchases and the original reported income stream.

Conclusions

In general, as the income streams increased so did the selling prices, and visa versa. The findings also indicated that the selling price of small businesses on a going-concern basis were most explained by the cash flow return to invested capital which relates to the ability to finance the transaction, and least explained by the cash flow return to the equity owner which is usually the basis for financial investment decisions. These findings seem to indicate that the small business market is influenced by buyer and seller motivations other than for strictly financial investment purposes.

It was not the purpose of this study to determine the predictive value of the correlation coefficient. These correlations relate to small businesses only as a group, and thus do not address correlations either by industry, business type, size or time period. Accordingly, this study's results indicate only that some basic financial valuation theory is present in the small business market in which the businesses in this study exist.

Recommendations

The researcher's recommendations based on the findings of this study are:

1. Comparative data on sales of small businesses should be improved in terms of providing past normalized earnings and cash flows history, projected future earnings and cash flows, specific details of the financing arrangements, estimates of the value of owner services, working capital requirements, average inventory levels, estimated replacement cost and remaining economic life of key plant and equipment, and deferred maintenance requirements to support existing and/or future levels of earnings. Without improvements, the data risks not ever being much more than a rule of thumb for valuation purposes.

2. As small business transaction data are improved, further studies should be conducted that analyze the small business market by industry, business type, size and time period. These studies should include sales of companies structured as asset purchases as well as stock purchases.

3. Future studies analyzing the relationship between selling price and the related income streams of small businesses, should attempt to assess individual company business risk, and financial risk, and take into account their effects on both the equity and debt financing required rates of return.

4. Standardized information on small business valuations and actual comparative data should be made more readily available to buyers and sellers in the small business market.

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APPENDICES

APPENDIX A

BIZCOMPS' Data Base

BIZCOMPS DATA BASE:

#	SBIC	BUSINESS TYPE	ANN GR	SDCF	DATE	SALE PR	% DOWN	TERM %	TERM YRS.	INV	FF&E	WHY BUSINESS ELIMINATED FROM STUDY:
1	1711	CONTR-HVAC & PLUMBING	1177	128	9/91	202	27.00%	PRIME	10	78	55	
2	1711	CONTR-HEATING & AC	1023	143	3/91	240	40.00%	10.00%	7	10	85	
3	1711	CONTR-HEATING & AC	5000	350	6/90	1250	50.00%	10.00%	10	0	300	
4	1742	CONTR-ASBESTOS REMOVAL	1863	534	4/91	1186	33.00%	?	5	40	95	LACK OF INVENTORY DATA
5	1752	CONTR FLOOR COVERINGS	2000	140	6/91	300	33.00%	10.00%	7	20	37	
6	1799	INDUST PIPING COATER	383	71	11/91	180	26.00%	9.00%	7	N/A	123	LACK OF INVENTORY DATA
7	2022	FOOD PROC-CHEESE	5068	167	11/91	1144	100.00%	N/A	N/A	156	560	
8	2045	FOOD PROC-FLOUR MIXES	1000	300	5/90	872	30.00%	10.00%	10	128	230	LACK OF RMA WORKING CAPITAL DATA
9	2051	WHSLE BAKERY-CINN ROLLS	290	75	10/90	200	37.50%	10.00%	5	3	20	
10	2097	MFG-ICE	435	150	10/90	425	100.00%	N/A	N/A	N/A	88	LACK OF RMA WORKING CAPITAL DATA
11	2369	MFG-CHILDRENS ACCESS	414	83	10/86	207	29.00%	10.00%	7	20	25	LACK OF MARKET RATE INTEREST DATA
12	2396	SILK SCREEN PRINTING	1841	82	3/92	338	100.00%	N/A	N/A	120	159	LACK OF SELLER FINANCING DATA
13	2431	MFG-MILLWORK	240	95	3/91	165	49.00%	9.00%	5	22	65	
14	2431	MFG-DOOR	281	60	11/86	125	100.00%	N/A	N/A	3	107	
15	2511	MFG-LAWN FURNITURE	767	-60	1/92	210	25.00%	10.00%	5	70	70	NEGATIVE SELLER DISCR. CASH FLOW
16	2515	MFG-MATTRESSES	1200	165	5/92	300	21.00%	9.00%	10	50	60	
17	2515	MFG-MATTRESSES	635	-38	5/91	152	26.00%	N/A	N/A	N/A	10	LACK OF SELLER FINANCING DATA
18	2519	MFG-FURNITURE	865	163	10/89	525	25.00%	10.00%	5	15	25	LACK OF RMA WORKING CAPITAL DATA
19	2679	MFG-PAPER BOXES	392	85	6/92	130	29.00%	9.00%	5	79	75	LACK OF RMA WORKING CAPITAL DATA
20	2741	MAGAZINE PUBLISHER	266	69	8/92	215	81.00%	10.00%	5	1	12	LACK OF RMA WORKING CAPITAL DATA
21	2752	PRINT SHOP-NOTE PADS	225	70	11/92	140	50.00%	10.00%	3	2	75	
22	2752	PRINTSHOP W/GRAPHICS	555	108	8/92	351	22.00%	8.00%	10	8	70	
23	2752	PRINTING SHOP	195	84	6/92	159	47.00%	10.00%	3.5	3	25	
24	2752	PRINTING SHOP	233	65	4/92	130	37.00%	9.00%	10	5	50	
25	2752	PRINTING SHOP	3800	725	1/92	2900	50.00%	10.00%	10	N/A	N/A	LACK OF FMV FOR EQUIPMENT, AND INVENTORY
26	2752	PRINTING SHOP	280	74	1/92	144	33.00%	N/A	N/A	6	80	LACK OF SELLER FINANCING DATA
27	2752	PRINTING SHOP	525	50	11/91	229	50.00%	N/A	N/A	35	180	LACK OF SELLER FINANCING DATA
28	2752	PRINTING SHOP	1283	283	7/91	761	71.00%	9.00%	10	69	443	
29	2752	PRINTING-FOIL EMBOSSING	165	67	3/91	134	56.00%	10.00%	4	1	70	
30	2752	PRINTING SHOP	250	45	1/91	155	65.00%	10.00%	5	2	25	
31	2752	PRINTING SHOP	208	61	11/90	105	38.00%	10.00%	7	1	50	
32	2752	PRINTING SHOP	230	48	10/90	105	25.00%	10.00%	?	10	75	
33	2752	PRINTER-COMMERCIAL	474	105	8/90	201	40.00%	10.00%	6	9	127	
34	2752	PRINTER-COMMERCIAL	303	112	8/90	170	57.00%	10.00%	5	5	75	
35	2752	PRINTING SHOP	500	72	5/90	214	71.00%	N/A	N/A	8	50	LACK OF SELLER FINANCING DATA
36	2752	PRINTING-BUSINESS CARDS	392	106	11/89	314	40.00%	10.00%	5	3	111	
37	2752	PRINTING SHOP	200	65	9/89	129	100.00%	N/A	N/A	8	35	
38	2752	PRINTER-COMMERCIAL	1386	315	9/89	1074	56.00%	10.00%	5	60	385	
39	2752	PRINTING SHOP	276	52	9/88	125	32.00%	N/A	N/A	21	25	LACK OF SELLER FINANCING DATA
40	2752	PRINTING SHOP	240	48	3/88	141	33.00%	10.00%	5	4	21	
41	2841	DISTR-CLEANING SUPPLIES	530	101	1/92	130	56.00%	10.00%	5	100	25	LACK OF RMA WORKING CAPITAL DATA
42	3079	MFG-PLASTIC PRODUCTS	215	65	11/87	120	58.00%	9.00%	5	N/A	N/A	LACK OF RMA WORKING CAPITAL DATA
43	3082	MFG-PLASTIC EXTRUDER	500	108	3/91	325	40.00%	10.00%	5	40	200	LACK OF RMA WORKING CAPITAL DATA
44	3086	MFG-FOAM FORMS	373	184	12/91	624	38.00%	N/A	N/A	14	25	LACK OF RMA WORKING CAPITAL DATA
45	3089	MFG-PROTOTYPES	319	84	8/90	137	52.00%	10.00%	5	8	60	
46	3089	MFG-PROTOTYPES	1000	120	3/89	292	70.00%	8.00%	5	28	250	LACK OF RMA WORKING CAPITAL DATA
47	3089	MFG-SPORTS HELMETS	1500	150	5/88	605	100.00%	N/A	N/A	258	380	LACK OF RMA WORKING CAPITAL DATA

BIZCOMPS DATA BASE:

#	SBIC	BUSINESS TYPE	ANN GR	SDCF	DATE	SALE PR	% DOWN	TERM %	TERM YRS.	INV	FF&E	WHY BUSINESS ELIMINATED FROM STUDY
48	3273	REDIMIX U-HAUL CONCRETE	266	53	5/91	121	36.00%	10.00%	3	4	55	
49	3273	REDIMIX U-HAUL CONCRETE	135	32	9/90	151	100.00%	N/A	N/A	4	85	
50	3281	MFG-CULTURED MARBLE	260	53	10/89	187	14.00%	10.00%	10	5	116	LACK OF RMA WORKING CAPITAL DATA
51	3441	MFG-STRUCTURAL STEEL	1700	600	8/90	1125	54.00%	N/A	N/A	75	200	LACK OF SELLER FINANCING DATA
52	3443	MFG-PRESSURE VESSELS	4955	478	10/90	810	50.00%	10.00%	5	790	553	
53	3444	MFG-DRAIN GUTTERS	500	85	5/90	149	42.00%	10.00%	7	6	95	
54	3444	MFG-SHEET METAL	419	61	4/88	230	100.00%	N/A	N/A	9	97	
55	3449	MFG-COPPER ROOF DRAINS	385	202	7/92	245	61.00%	10.00%	10	170	70	LACK OF RMA WORKING CAPITAL DATA
56	3499	MFG-TRAILER PARTS	27218	4443	6/89	10358	67.00%	N/A	N/A	4640	2300	LACK OF SELLER FINANCING DATA
57	3541	MFG-CUTTING TOOLS	442	122	12/90	135	78.00%	10.00%	5	45	100	
58	3544	MFG-TOOL & DIE	882	247	7/92	590	26.00%	9.00%	7	1	490	
59	3569	MFG-SERVICE EQUIPMENT	820	130	2/91	225	40.00%	10.00%	10	150	100	LACK OF RMA WORKING CAPITAL DATA
60	3581	MFG-VENDING MACHINES	1594	273	3/92	588	45.00%	N/A	N/A	412	155	LACK OF RMA WORKING CAPITAL DATA
61	3589	MFG-OFFICE SIGNS	820	130	2/91	375	40.00%	10.00%	10	150	100	LACK OF RMA WORKING CAPITAL DATA
62	3599	MFG-MACHINE SHOP	400	117	5/91	315	25.00%	8.00%	8	5	130	
63	3599	MFG-MACHINE SHOP	608	112	7/90	375	30.00%	10.00%	7	3	150	
64	3600	MFG-SMALL PARTS	5000	525	1/92	495	100.00%	N/A	N/A	195	150	LACK OF RMA WORKING CAPITAL DATA
65	3672	MFG-ELECTR CIRCUIT BOARD	300	60	7/89	250	56.00%	10.00%	5	70	450	
66	3711	MFG-AUTO BODY PARTS	2400	560	7/91	1463	82.00%	8.00%	5	580	150	LACK OF RMA WORKING CAPITAL DATA
67	3728	MFG-AIRCRAFT PARTS	12000	1000	12/91	2800	60.00%	10.00%	3	3000	800	
68	3728	MACH SHOP-LG PARTS	1302	219	4/90	582	19.00%	10.00%	6	0	226	
69	3949	MFG-FITNESS EQUIPMENT	3200	575	11/89	917	96.00%	0.00%	1	483	252	
70	3993	SIGN MANUFACTURER	197	61	3/91	155	25.00%	10.00%	5	5	71	
71	3993	SIGN MANUFACTURER	950	90	1/91	200	20.00%	N/A	N/A	25	225	LACK OF SELLER FINANCING DATA
72	3993	SIGN MANUFACTURER	500	70	3/90	184	59.00%	10.00%	5	71	30	
73	3993	MFG-SIGN COMPONENTS	1800	240	5/88	1255	34.00%	0.00%	10	172	330	
74	3999	MFG-SILK FLOWERS	159	91	1/92	135	33.00%	0.00%	5	15	37	LACK OF RMA WORKING CAPITAL DATA
75	4212	TRUCKING COMPANY	444	81	11/90	230	50.00%	10.00%	0.5	N/A	160	LACK OF INVENTORY DATA
76	4213	MOVING & STORAGE	474	82	7/92	198	100.00%	N/A	N/A	2	122	
77	4339	RECORD DESTRUCTION SERVI	147	60	1/90	158	47.00%	10.00%	5	N/A	30	LACK OF RMA WORKING CAPITAL DATA
78	4424	FREIGHT FORWARDING	1374	104	12/91	130	5.00%	assume debt	N/A	20	44	LACK OF RMA WORKING CAPITAL DATA
79	4959	PARKING LOT SWEEPING	720	204	4/91	405	35.00%	10.00%	10	20	150	LACK OF RMA WORKING CAPITAL DATA
80	5013	WHSLE-AUTO SUPPLIES	937	120	8/90	350	49.00%	10.00%	6	100	100	
81	5013	DISTR-AUTO PARTS	670	110	3/90	230	57.00%	10.00%	6	125	20	
82	5013	DISTR-TRUCK LINERS	480	45	4/89	120	66.00%	10.00%	5	30	5	
83	5013	DISTR-TRUCK ELECTRIC EQU	1000	N/A	3/88	350	100.00%	N/A	N/A	375	25	LACK OF SDCF DATA
84	5013	WHSLE-AUTO SUPPLIES	724	96	12/86	155	47.00%	10.00%	9	60	21	LACK OF MARKET RATE INTEREST DATA
85	5013	DISTR-AUTO PAINT	375	40	9/86	120	33.00%	9.00%	5	39	5	LACK OF MARKET RATE INTEREST DATA
86	5023	WHSLE-CORP WALL ART	540	N/A	10/91	365	35.00%	10.00%	5	65	N/A	LACK OF SDCF DATA
87	5032	DISTR-CONCRETE PRODUCTS	405	120	7/91	356	49.00%	9.00%	6	46	60	
88	5032	DISTR-DRYWALL & WALLBOAR	3375	550	12/86	525	100.00%	N/A	N/A	354	N/A	LACK OF RMA WORKING CAPITAL DATA
89	5045	ELECTRONIC OFFICE EQUIP	271	85	11/91	143	33.00%	9.00%	7	7	13	
90	5047	DISTR-MEDICAL GASES	294	107	9/92	287	100.00%	N/A	N/A	15	204	
91	5047	DISTR- MEDICAL SUPPLIES	330	62	1/92	160	50.00%	10.00%	10	10	10	
92	5047	DISTR-HOME MEDICAL SUPPL	480	90	2/87	168	100.00%	N/A	N/A	30	10	LACK OF RMA WORKING CAPITAL DATA
93	5063	DISTR-GARAGE DOOR OPENER	435	80	1/91	135	45.00%	10.00%	5	70	25	
94	5063	DISTR-ELECTRIC WIRE PROD	144	47	10/90	108	25.00%	10.00%	7	13	10	

BIZCOMPS DATA BASE:

#	SBIC	BUSINESS TYPE	ANN GR	SDCF	DATE	SALE PR	% DOWN	TERM %	TERM YRS.	INV	FF&E	WHY BUSINESS ELIMINATED FROM STUDY
95	5063	DISTR-ELECTRIC SUPPLY	1106	71	3/90	157	30.00%	8.00%	10	43	10	
96	5065	DISTR-TV PROD EQUIP	4029	231	9/92	325	60.00%	10.00%	5	175	75	
97	5065	DISTR-ELECTRONIC MODELS	1955	116	7/91	137	42.00%	10.00%	5	220	40	
98	5072	WHSLE-HARDWARE	706	130	5/91	113	40.00%	10.00%	3	102	7	
99	5075	DISTR-AC SERVICE	310	90	10/91	185	38.00%	10.00%	7	0	60	
100	5084	DISTR-WELL DRILLING EQUI	5700	340	11/91	750	40.00%	9.00%	7	450	47	
101	5085	DISTR-INDUST SUPPLIES	975	262	9/92	450	33.00%	9.50%	10	55	30	
102	5085	WHSLE-FASTENERS	1200	150	2/90	335	40.00%	10.00%	10	100	100	
103	5085	DISTR-NUTS, BOLTS, WASHE	3000	465	12/87	2250	33.30%	10.00%	15	685	25	
104	5087	WHSLE-JANITORIAL SUPPLIE	284	76	6/91	135	37.00%	10.00%	5	0	5	
105	5094	DISTR-SPEC JEWELRY	522	136	5/91	250	34.00%	10.00%	0.58	70	30	
106	5099	DISTR-FIRE SUPPLIES	600	131	6/90	299	100.00%	N/A	N/A	N/A	25	LACK OF RMA WORKING CAPITAL DATA
107	5143	WHSLE DISTR-DAIRY PROD	1518	108	6/89	190	50.00%	9.00%	5	60	65	LACK OF RMA WORKING CAPITAL DATA
108	5149	DISTR-HEALTH FOODS	930	N/A	6/92	275	47.00%	10.00%	8	40	40	LACK OF SDCF DATA
109	5149	DISTR-FOOD SPICES	620	93	4/92	220	22.00%	10.00%	7	36	39	
110	5149	WHSLE-HEALTH FOODS	844	114	4/90	394	21.00%	10.00%	10	81	32	LACK OF RMA WORKING CAPITAL DATA
111	5169	DISTR-CHEMICALS	535	85	10/91	180	42.00%	N/A	N/A	15	32	LACK OF SELLER FINANCING DATA
112	5172	WHSLE-MOTOR OIL	1917	562	10/89	785	51.00%	10.00%	5	N/A	N/A	LACK OF FMV FOR EQUIPMENT, AND INVENTORY
113	5199	WHSLE-TROPICAL FISH	896	102	6/90	225	39.00%	10.00%	7	30	180	LACK OF RMA WORKING CAPITAL DATA
114	5199	WHSLE-PET SUPPLY	750	N/A	10/88	265	81.00%	11.00%	7	190	50	LACK OF RMA WORKING CAPITAL DATA
115	5211	DISTR-HOME PRODUCTS	749	119	10/89	150	56.00%	10.00%	8	30	30	
116	5461	DISTR-BREAD PRODUCTS	600	166	3/90	130	100.00%	N/A	N/A	0	24	
117	5551	MARINE DEALERSHIP	980	50	6/90	120	20.00%	10.00%	10	180	70	
118	5561	RV DEALERSHIP	2123	202	2/92	400	25.00%	7.00%	10	0	150	
119	5561	RV DEALERSHIP	5000	120	7/90	150	28.00%	10.00%	5	150	110	
120	5571	MOTORCYCLE DEALER	2601	267	8/92	443	29.00%	10.00%	10	407	90	
121	5943	OFFICE SUPPLY/PRINTING	500	61	1/90	105	25.00%	10.00%	5	35	40	
122	7331	MAILING SERVICE	250	70	3/92	225	44.00%	N/A	N/A	N/A	47	LACK OF SELLER FINANCING DATA
123	7331	DIRECT MAIL/PRINTING	418	136	10/89	260	35.00%	10.00%	5	N/A	90	LACK OF INVENTORY DATA
124	7349	JANITORIAL SERVICE	493	145	11/91	250	33.00%	10.00%	7	0	20	
125	7349	JANITORIAL SERVICE	425	91	8/91	154	62.00%	8.00%	4	6	40	
126	7349	HI RISE WINDOW CLEANING	294	88	11/90	155	73.00%	10.00%	3	1	20	
127	7349	JANITORIAL SERVICE	456	96	12/88	175	36.00%	10.00%	5	N/A	10	LACK OF RMA WORKING CAPITAL DATA
128	7359	PORT TOILET SERVICE	468	275	3/89	655	38.00%	10.00%	7	0	275	LACK OF RMA WORKING CAPITAL DATA
129	7359	FENCING RENTAL	214	96	5/86	209	12.00%	SBA LOAN	SBA LOAN	40	59	LACK OF RMA WORKING CAPITAL DATA
130	7371	COMPUTER SERVICE	270	86	6/90	165	25.00%	10.00%	3	35	21	
131	7372	COMPUTER SOFTWARE	1100	300	11/92	500	36.00%	9.00%	5	5	100	
132	7374	COMPUTER SERVICE	550	100	10/91	380	33.00%	N/A	N/A	N/A	23	LACK OF SELLER FINANCING DATA
133	7399	COURIER SERVICE	933	200	7/90	425	100.00%	N/A	N/A	N/A	130	LACK OF RMA WORKING CAPITAL DATA
134	7513	TRUCK/TRAILER RENTAL	75	40	1/90	218	73.00%	7.00%	1	N/A	185	LACK OF INVENTORY DATA
135	7694	ELECTRIC MOTOR REWINDING	961	164	1/90	164	30.00%	10.50%	6	100	50	LACK OF RMA WORKING CAPITAL DATA
136	7699	PETROLEUM EQUIP REPAIR	507	100	2/90	190	40.00%	9.00%	7	60	73	LACK OF RMA WORKING CAPITAL DATA

APPENDIX B

RMA: Statement Studies Data

RMA: STATEMENT STUDIES DATA

#	SBIC	BUSINESS	DATE	WORKING CAPITAL/ SALES	DEPRECIATION & AMORT./ SALES
1	1711	CONTR-HVAC & PLUMBING	9/91	9.62%	1.20%
2	1711	CONTR-HEATING & AC	3/91	8.62%	1.20%
3	1711	CONTR-HEATING & AC	6/90	8.62%	1.20%
4	1742	CONTR-ASBESTOS REMOVAL	4/91	10.00%	1.00%
5	1752	CONTR FLOOR COVERINGS	6/91	9.52%	0.60%
6	2022	FOOD PROC-CHEESE	11/91	3.88%	2.20%
7	2369	MFG-CHILDRENS ACCESS	10/86	6.25%	2.20%
8	2431	MFG-MILLWORK	3/91	5.85%	2.40%
9	2431	MFG-DOOR	11/86	8.06%	2.40%
10	2515	MFG-MATTRESSES	5/92	6.80%	1.30%
11	2752	PRINT SHOP-NOTE PADS	11/92	5.99%	3.80%
12	2752	PRINTSHOP W/GRAPHICS	8/92	5.99%	3.80%
13	2752	PRINTING SHOP	6/92	5.99%	3.80%
14	2752	PRINTING SHOP	4/92	5.99%	3.80%
15	2752	PRINTING SHOP	1/92	5.88%	3.90%
16	2752	PRINTING SHOP	1/92	5.29%	4.00%
17	2752	PRINTING SHOP	11/91	5.29%	4.00%
18	2752	PRINTING SHOP	7/91	6.45%	4.10%
19	2752	PRINTING-FOIL EMBOSSING	3/91	5.99%	4.30%
20	2752	PRINTING SHOP	1/91	5.99%	4.30%
21	2752	PRINTING SHOP	11/90	5.99%	4.30%
22	2752	PRINTING SHOP	10/90	5.99%	4.30%
23	2752	PRINTER-COMMERCIAL	8/90	5.99%	4.30%
24	2752	PRINTER-COMMERCIAL	8/90	5.99%	4.30%
25	2752	PRINTING SHOP	5/90	5.99%	4.30%
26	2752	PRINTING-BUSINESS CARDS	11/89	6.33%	4.60%
27	2752	PRINTING SHOP	9/89	6.33%	4.60%
28	2752	PRINTER-COMMERCIAL	9/89	7.35%	3.90%
29	2752	PRINTING SHOP	9/88	6.49%	4.00%
30	2752	PRINTING SHOP	3/88	7.14%	4.50%
31	3089	MFG-PROTOTYPES	8/90	16.39%	4.00%
32	3273	REDIMIX U-HAUL CONCRETE	5/91	3.13%	4.90%
33	3273	REDIMIX U-HAUL CONCRETE	9/90	7.19%	6.80%
34	3441	MFG-STRUCTURAL STEEL	8/90	9.17%	1.60%
35	3443	MFG-PRESSURE VESSELS	10/90	6.13%	1.90%
36	3444	MFG-DRAIN GUTTERS	5/90	12.05%	2.50%
37	3444	MFG-SHEET METAL	4/88	8.93%	2.90%
38	3499	MFG-TRAILER PARTS	6/89	17.24%	3.40%
39	3541	MFG-CUTTING TOOLS	12/90	9.01%	3.90%
40	3544	MFG-TOOL & DIE	7/92	4.63%	4.60%
41	3599	MFG-MACHINE SHOP	5/91	5.43%	5.20%
42	3599	MFG-MACHINE SHOP	7/90	7.04%	5.20%
43	3672	MFG-ELECTR CIRCUIT BOARD	7/89	14.08%	2.50%
44	3728	MFG-AIRCRAFT PARTS	12/91	14.49%	3.10%
45	3728	MACH SHOP-LG PARTS	4/90	8.20%	4.30%
46	3949	MFG-FITNESS EQUIPMENT	11/89	20.83%	1.30%

RMA: STATEMENT STUDIES DATA

#	SBIC	BUSINESS	DATE	WORKING CAPITAL/ SALES	DEPRECIATION & AMORT./ SALES
47	3993	SIGN MANUFACTURER	3/91	7.58%	3.50%
48	3993	SIGN MANUFACTURER	1/91	7.58%	3.50%
49	3993	SIGN MANUFACTURER	3/90	6.17%	2.90%
50	3993	MFG-SIGN COMPONENTS	5/88	10.10%	1.90%
51	5013	WHSLE-AUTO SUPPLIES	8/90	15.38%	1.30%
52	5013	DISTR-AUTO PARTS	3/90	18.18%	1.70%
53	5013	DISTR-TRUCK LINERS	4/89	18.18%	1.70%
54	5013	WHSLE-AUTO SUPPLIES	12/86	13.89%	1.50%
55	5013	DISTR-AUTO PAINT	9/86	13.89%	1.50%
56	5032	DISTR-CONCRETE PRODUCTS	7/91	12.05%	1.40%
57	5045	ELECTRONIC OFFICE EQUIP	11/91	5.65%	0.70%
58	5047	DISTR-MEDICAL GASES	9/92	6.71%	1.40%
59	5047	DISTR- MEDICAL SUPPLIES	1/92	13.70%	2.10%
60	5063	DISTR-GARAGE DOOR OPENER	1/91	11.90%	1.20%
61	5063	DISTR-ELECTRIC WIRE PROD	10/90	11.90%	1.20%
62	5063	DISTR-ELECTRIC SUPPLY	3/90	11.76%	1.00%
63	5065	DISTR-TV PROD EQUIP	9/92	10.87%	0.70%
64	5065	DISTR-ELECTRONIC MODELS	7/91	9.43%	0.70%
65	5072	WHSLE-HARDWARE	5/91	10.20%	0.90%
66	5075	DISTR-AC SERVICE	10/91	10.53%	1.60%
67	5084	DISTR-WELL DRILLING EQUI	11/91	8.85%	0.90%
68	5085	DISTR-INDUST SUPPLIES	9/92	10.75%	1.20%
69	5085	WHSLE-FASTENERS	2/90	11.36%	1.00%
70	5085	DISTR-NUTS, BOLTS, WASHE	12/87	10.53%	1.10%
71	5087	WHSLE-JANITORIAL SUPPLIE	6/91	8.93%	1.60%
72	5094	DISTR-SPEC JEWELRY	5/91	34.48%	0.80%
73	5149	DISTR-FOOD SPICES	4/92	3.68%	2.00%
74	5169	DISTR-CHEMICALS	10/91	2.92%	2.80%
75	5172	WHSLE-MOTOR OIL	10/89	5.62%	1.20%
76	5211	DISTR-HOME PRODUCTS	10/89	14.49%	1.30%
77	5551	MARINE DEALERSHIP	6/90	12.82%	1.50%
78	5561	RV DEALERSHIP	2/92	7.58%	0.60%
79	5561	RV DEALERSHIP	7/90	5.65%	0.30%
80	5571	MOTORCYCLE DEALER	8/92	9.80%	0.60%
81	5943	OFFICE SUPPLY/PRINTING	1/90	11.76%	1.40%
82	7331	MAILING SERVICE	3/92	4.83%	4.30%
83	7331	DIRECT MAIL/PRINTING	10/89	10.42%	4.60%
84	7349	JANITORIAL SERVICE	11/91	4.44%	2.30%
85	7349	JANITORIAL SERVICE	8/91	4.44%	2.30%
86	7349	HI RISE WINDOW CLEANING	11/90	8.26%	2.80%
87	7371	COMPUTER SERVICE	6/90	5.18%	3.70%
88	7372	COMPUTER SOFTWARE	11/92	9.43%	2.10%
89	7374	COMPUTER SERVICE	10/91	7.35%	5.20%

APPENDIX C

Calculation of Working Capital Requirements

CALCULATION OF WORKING CAPITAL REQUIREMENTS:

#	SBIC	BUSINESS	DATE	ACTUAL COST INVENTORY	WORKING CAPITAL / SALES	ACTUAL ANNUAL GROSS SALES	TOTAL ESTIMATED WORKING CAP.	ADDITIONAL WORKING CAP. REQUIRED
1	1711	CONTR-HVAC & PLUMBING	9/91	78	9.62%	1,177	113	35
2	1711	CONTR-HEATING & AC	3/91	10	8.62%	1,023	88	78
3	1711	CONTR-HEATING & AC	6/90	0	8.62%	5,000	431	431
4	1742	CONTR-ASBESTOS REMOVAL	4/91	40	10.00%	1,863	186	146
5	1752	CONTR FLOOR COVERINGS	6/91	20	9.52%	2,000	190	170
6	2022	FOOD PROC-CHEESE	11/91	156	3.88%	5,068	196	40
7	2369	MFG-CHILDRENS ACCESS	10/86	20	6.25%	414	26	6
8	2431	MFG-MILLWORK	3/91	22	5.85%	240	14	(8)
9	2431	MFG-DOOR	11/86	3	8.06%	281	23	20
10	2515	MFG-MATTRESSES	5/92	50	6.80%	1,200	82	32
11	2752	PRINT SHOP-NOTE PADS	11/92	2	5.99%	225	13	11
12	2752	PRINTSHOP W/GRAPHICS	8/92	8	5.99%	555	33	25
13	2752	PRINTING SHOP	6/92	3	5.99%	195	12	9
14	2752	PRINTING SHOP	4/92	5	5.99%	233	14	9
15	2752	PRINTING SHOP	1/92	N/A	5.88%	3,800	224	224
16	2752	PRINTING SHOP	1/92	6	5.29%	280	15	9
17	2752	PRINTING SHOP	11/91	36	5.29%	525	28	(8)
18	2752	PRINTING SHOP	7/91	68	6.45%	1,283	83	15
19	2752	PRINTING-FOIL EMBOSSING	3/91	1	5.99%	165	10	9
20	2752	PRINTING SHOP	1/91	2	5.99%	250	15	13
21	2752	PRINTING SHOP	11/90	1	5.99%	208	12	11
22	2752	PRINTING SHOP	10/90	10	5.99%	230	14	4
23	2752	PRINTER-COMMERCIAL	8/90	9	5.99%	474	28	19
24	2752	PRINTER-COMMERCIAL	8/90	5	5.99%	303	18	13
25	2752	PRINTING SHOP	5/90	8	5.99%	500	30	22
26	2752	PRINTING-BUSINESS CARDS	11/89	3	6.33%	392	25	22
27	2752	PRINTING SHOP	9/89	8	6.33%	200	13	5
28	2752	PRINTER-COMMERCIAL	9/89	60	7.35%	1,386	102	42
29	2752	PRINTING SHOP	9/88	21	6.49%	276	18	(3)
30	2752	PRINTING SHOP	3/88	4	7.14%	240	17	13
31	3089	MFG-PROTOTYPES	8/90	8	16.39%	319	52	44
32	3273	REDIMIX U-HAUL CONCRETE	5/91	4	3.13%	266	8	4
33	3273	REDIMIX U-HAUL CONCRETE	9/90	4	7.19%	135	10	6
34	3441	MFG-STRUCTURAL STEEL	8/90	75	9.17%	1,700	156	81
35	3443	MFG-PRESSURE VESSELS	10/90	790	6.13%	4,955	304	(486)
36	3444	MFG-DRAIN GUTTERS	5/90	6	12.05%	500	60	54
37	3444	MFG-SHEET METAL	4/88	9	8.93%	419	37	28
38	3499	MFG-TRAILER PARTS	6/89	4640	17.24%	27,218	4,693	53
39	3541	MFG-CUTTING TOOLS	12/90	45	9.01%	442	40	(5)
40	3544	MFG-TOOL & DIE	7/92	1	4.63%	882	41	40
41	3599	MFG-MACHINE SHOP	5/91	5	5.43%	400	22	17
42	3599	MFG-MACHINE SHOP	7/90	3	7.04%	608	43	40
43	3672	MFG-ELECTR CIRCUIT BOARD	7/89	70	14.08%	300	42	(28)
44	3728	MFG-AIRCRAFT PARTS	12/91	3000	14.49%	12,000	1,739	(1,261)
45	3728	MACH SHOP-LG PARTS	4/90	0	8.20%	1,302	107	107
46	3949	MFG-FITNESS EQUIPMENT	11/89	483	20.83%	3,200	667	184

CALCULATION OF WORKING CAPITAL REQUIREMENTS:

#	SBIC	BUSINESS	DATE	ACTUAL COST INVENTORY	WORKING CAPITAL / SALES	ACTUAL ANNUAL GROSS SALES	TOTAL ESTIMATED WORKING CAP.	ADDITIONAL WORKING CAP. REQUIRED
47	3993	SIGN MANUFACTURER	3/91	5	7.58%	197	15	10
48	3993	SIGN MANUFACTURER	1/91	25	7.58%	950	72	47
49	3993	SIGN MANUFACTURER	3/90	71	6.17%	500	31	(40)
50	3993	MFG-SIGN COMPONENTS	5/88	172	10.10%	1,800	182	10
51	5013	WHSLE-AUTO SUPPLIES	8/90	100	15.38%	937	144	44
52	5013	DISTR-AUTO PARTS	3/90	125	18.18%	670	122	(3)
53	5013	DISTR-TRUCK LINERS	4/89	30	18.18%	480	87	57
54	5013	WHSLE-AUTO SUPPLIES	12/86	60	13.89%	724	101	41
55	5013	DISTR-AUTO PAINT	9/86	39	13.89%	375	52	13
56	5032	DISTR-CONCRETE PRODUCTS	7/91	46	12.05%	405	49	3
57	5045	ELECTRONIC OFFICE EQUIP	11/91	7	5.65%	271	15	8
58	5047	DISTR-MEDICAL GASES	9/92	15	6.71%	294	20	5
59	5047	DISTR- MEDICAL SUPPLIES	1/92	10	13.70%	330	45	35
60	5063	DISTR-GARAGE DOOR OPENER	1/91	70	11.90%	435	52	(18)
61	5063	DISTR-ELECTRIC WIRE PROD	10/90	13	11.90%	144	17	4
62	5063	DISTR-ELECTRIC SUPPLY	3/90	43	11.76%	1,106	130	87
63	5065	DISTR-TV PROD EQUIP	9/92	175	10.87%	4,029	438	263
64	5065	DISTR-ELECTRONIC MODELS	7/91	220	9.43%	1,955	184	(36)
65	5072	WHSLE-HARDWARE	5/91	102	10.20%	706	72	(30)
66	5075	DISTR-AC SERVICE	10/91	0	10.53%	310	33	33
67	5084	DISTR-WELL DRILLING EQUI	11/91	450	8.85%	5,700	504	54
68	5085	DISTR-INDUST SUPPLIES	9/92	55	10.75%	975	105	50
69	5085	WHSLE-FASTENERS	2/90	100	11.36%	1,200	136	36
70	5085	DISTR-NUTS, BOLTS, WASHE	12/87	685	10.53%	3,000	316	(369)
71	5087	WHSLE-JANITORIAL SUPPLIE	6/91	0	8.93%	284	25	25
72	5094	DISTR-SPEC JEWELRY	5/91	70	34.48%	522	180	110
73	5149	DISTR-FOOD SPICES	4/92	36	3.68%	620	23	(13)
74	5169	DISTR-CHEMICALS	10/91	15	2.92%	535	16	1
75	5172	WHSLE-MOTOR OIL	10/89	N/A	5.62%	1,917	108	108
76	5211	DISTR-HOME PRODUCTS	10/89	30	14.49%	749	109	79
77	5551	MARINE DEALERSHIP	6/90	180	12.82%	980	126	(54)
78	5561	RV DEALERSHIP	2/92	0	7.58%	2,123	161	161
79	5561	RV DEALERSHIP	7/90	150	5.65%	5,000	282	132
80	5571	MOTORCYCLE DEALER	8/92	407	9.80%	2,601	255	(152)
81	5943	OFFICE SUPPLY/PRINTING	1/90	35	11.76%	500	59	24
82	7331	MAILING SERVICE	3/92	N/A	4.83%	250	12	12
83	7331	DIRECT MAIL/PRINTING	10/89	N/A	10.42%	418	44	44
84	7349	JANITORIAL SERVICE	11/91	0	4.44%	493	22	22
85	7349	JANITORIAL SERVICE	8/91	6	4.44%	425	19	13
86	7349	HI RISE WINDOW CLEANING	11/90	1	8.26%	294	24	23
87	7371	COMPUTER SERVICE	6/90	35	5.18%	270	14	(21)
88	7372	COMPUTER SOFTWARE	11/92	5	9.43%	1,100	104	99
89	7374	COMPUTER SERVICE	10/91	N/A	7.35%	550	40	40

APPENDIX D

Junk Bond Interest Rates

JUNK BOND INTEREST RATES:

#	SBIC	BUSINESS	DATE	10 YEAR T-BOND YTM	JUNK BOND RISK PREMIUM	ESTIMATE OF ACTIVE JUNK BOND YTM
1	1711	CONTR-HVAC & PLUMBING	9/91	7.80%	8.31%	16.11%
2	1711	CONTR-HEATING & AC	3/91	8.10%	9.40%	17.50%
3	1711	CONTR-HEATING & AC	6/90	8.46%	6.76%	15.22%
4	1742	CONTR-ASBESTOS REMOVAL	4/91	8.03%	8.71%	16.74%
5	1752	CONTR FLOOR COVERINGS	6/91	8.20%	8.56%	16.76%
6	1799	INDUST PIPING COATER	11/91	7.48%	7.84%	15.32%
7	2022	FOOD PROC-CHEESE	11/91	7.48%	7.84%	15.32%
8	2051	WHSLE BAKERY-CINN ROLLS	10/90	8.69%	9.40%	18.09%
9	2369	MFG-CHILDRENS ACCESS	10/86	7.53%	N/A	N/A
10	2396	SILK SCREEN PRINTING	3/92	7.45%	6.89%	14.34%
11	2431	MFG-MILLWORK	3/91	8.10%	9.40%	17.50%
12	2431	MFG-DOOR	11/86	7.28%	N/A	N/A
13	2511	MFG-LAWN FURNITURE	1/92	6.78%	8.19%	14.97%
14	2515	MFG-MATTRESSES	5/92	7.50%	7.59%	15.09%
15	2515	MFG-MATTRESSES	5/91	8.02%	8.87%	16.89%
16	2679	MFG-PAPER BOXES	6/92	7.35%	7.40%	14.75%
17	2741	MAGAZINE PUBLISHER	8/92	6.65%	7.64%	14.29%
18	2752	PRINT SHOP-NOTE PADS	11/92	6.90%	8.20%	15.10%
19	2752	PRINTSHOP W/GRAPHICS	8/92	6.65%	7.64%	14.29%
20	2752	PRINTING SHOP	6/92	7.35%	7.40%	14.75%
21	2752	PRINTING SHOP	4/92	7.49%	7.57%	15.06%
22	2752	PRINTING SHOP	1/92	6.78%	8.19%	14.97%
23	2752	PRINTING SHOP	1/92	6.78%	8.19%	14.97%
24	2752	PRINTING SHOP	11/91	7.48%	7.84%	15.32%
25	2752	PRINTING SHOP	7/91	8.28%	8.06%	16.34%
26	2752	PRINTING-FOIL EMBOSSING	3/91	8.10%	9.40%	17.50%
27	2752	PRINTING SHOP	1/91	8.00%	9.40%	17.40%
28	2752	PRINTING SHOP	11/90	8.64%	9.40%	18.04%
29	2752	PRINTING SHOP	10/90	8.69%	9.40%	18.09%
30	2752	PRINTER-COMMERCIAL	8/90	8.37%	7.47%	15.84%
31	2752	PRINTER-COMMERCIAL	8/90	8.37%	7.47%	15.84%
32	2752	PRINTING SHOP	5/90	9.02%	7.27%	16.29%
33	2752	PRINTING-BUSINESS CARDS	11/89	7.92%	6.93%	14.85%
34	2752	PRINTING SHOP	9/89	8.17%	5.99%	14.16%
35	2752	PRINTER-COMMERCIAL	9/89	8.17%	5.99%	14.16%
36	2752	PRINTING SHOP	9/88	9.21%	2.80%	12.01%
37	2752	PRINTING SHOP	3/88	8.17%	3.40%	11.57%
38	2841	DISTR-CLEANING SUPPLIES*	1/92	6.78%	8.19%	14.97%
39	3089	MFG-PROTOTYPES	8/90	8.37%	7.47%	15.84%
40	3273	REDIMIX U-HAUL CONCRETE	5/91	8.02%	8.87%	16.89%
41	3273	REDIMIX U-HAUL CONCRETE	9/90	8.85%	9.22%	18.07%
42	3441	MFG-STRUCTURAL STEEL	8/90	8.37%	7.47%	15.84%
43	3443	MFG-PRESSURE VESSELS	10/90	8.69%	9.40%	18.09%
44	3444	MFG-DRAIN GUTTERS	5/90	9.02%	7.27%	16.29%
45	3444	MFG-SHEET METAL	4/88	8.62%	3.20%	11.82%
46	3499	MFG-TRAILER PARTS	6/89	8.57%	4.57%	13.14%
47	3541	MFG-CUTTING TOOLS	12/90	8.16%	9.40%	17.56%

JUNK BOND INTEREST RATES:

#	SBIC	BUSINESS	DATE	10 YEAR T-BOND YTM	JUNK BOND RISK PREMIUM	ESTIMATE OF ACTIVE JUNK BOND YTM
48	3544	MFG-TOOL & DIE	7/92	7.07%	7.90%	14.97%
49	3599	MFG-MACHINE SHOP	5/91	8.02%	8.87%	16.89%
50	3599	MFG-MACHINE SHOP	7/90	8.44%	6.80%	15.24%
51	3672	MFG-ELECTR CIRCUIT BOARD	7/89	8.08%	5.43%	13.51%
52	3711	MFG-AUTO BODY PARTS	7/91	8.28%	8.06%	16.34%
53	3728	MFG-AIRCRAFT PARTS	12/91	7.25%	8.99%	16.24%
54	3728	MACH SHOP-LG PARTS	4/90	8.59%	7.10%	15.69%
55	3949	MFG-FITNESS EQUIPMENT	11/89	7.92%	6.93%	14.85%
56	3993	SIGN MANUFACTURER	3/91	8.10%	9.58%	17.68%
57	3993	SIGN MANUFACTURER	1/91	8.00%	9.40%	17.40%
58	3993	SIGN MANUFACTURER	3/90	8.50%	7.08%	15.58%
59	3993	MFG-SIGN COMPONENTS	5/88	8.93%	3.00%	11.93%
60	4212	TRUCKING COMPANY	11/90	8.64%	9.40%	18.04%
61	4213	MOVING & STORAGE	7/92	7.07%	7.90%	14.97%
62	5013	WHSLE-AUTO SUPPLIES	8/90	8.37%	7.47%	15.84%
63	5013	DISTR-AUTO PARTS	3/90	8.50%	7.08%	15.58%
64	5013	DISTR-TRUCK LINERS	4/89	9.20%	4.50%	13.70%
65	5013	DISTR-TRUCK ELECTRIC EQU	3/88	8.17%	3.40%	11.57%
66	5013	WHSLE-AUTO SUPPLIES	12/86	7.12%	N/A	N/A
67	5013	DISTR-AUTO PAINT	9/86	7.59%	N/A	N/A
68	5023	WHSLE-CORP WALL ART	10/91	7.45%	8.39%	15.84%
69	5032	DISTR-CONCRETE PRODUCTS	7/91	8.28%	8.06%	16.34%
70	5045	ELECTRONIC OFFICE EQUIP	11/91	7.48%	7.84%	15.32%
71	5047	DISTR-MEDICAL GASES	9/92	6.53%	7.99%	14.52%
72	5047	DISTR- MEDICAL SUPPLIES	1/92	6.78%	8.19%	14.97%
73	5063	DISTR-GARAGE DOOR OPENER	1/91	8.00%	9.40%	17.40%
74	5063	DISTR-ELECTRIC WIRE PROD	10/90	8.69%	9.40%	18.09%
75	5063	DISTR-ELECTRIC SUPPLY	3/90	8.50%	7.08%	15.58%
76	5065	DISTR-TV PROD EQUIP	9/92	6.53%	7.99%	14.52%
77	5065	DISTR-ELECTRONIC MODELS	7/91	8.28%	8.06%	16.34%
78	5072	WHSLE-HARDWARE	5/91	8.02%	8.87%	16.89%
79	5075	DISTR-AC SERVICE	10/91	7.45%	8.39%	15.84%
80	5084	DISTR-WELL DRILLING EQUI	11/91	7.48%	7.84%	15.32%
81	5085	DISTR-INDUST SUPPLIES	9/92	6.53%	7.99%	14.52%
82	5085	WHSLE-FASTENERS	2/90	8.47%	7.52%	15.99%
83	5085	DISTR-NUTS, BOLTS, WASHE	12/87	8.98%	2.50%	11.48%
84	5087	WHSLE-JANITORIAL SUPPLIE	6/91	8.20%	8.56%	16.76%
85	5094	DISTR-SPEC JEWELRY	5/91	8.02%	8.87%	16.89%
86	5143	WHSLE DISTR-DAIRY PROD	6/89	8.57%	4.57%	13.14%
87	5149	DISTR-HEALTH FOODS	6/92	7.35%	7.40%	14.75%
88	5149	DISTR-FOOD SPICES	4/92	7.49%	7.57%	15.06%
89	5169	DISTR-CHEMICALS	10/91	7.45%	8.39%	15.84%
90	5172	WHSLE-MOTOR OIL	10/89	8.18%	6.41%	14.59%
91	5211	DISTR-HOME PRODUCTS	10/89	8.18%	6.41%	14.59%
92	5461	DISTR-BREAD PRODUCTS	3/90	8.50%	7.08%	15.58%
93	5551	MARINE DEALERSHIP	6/90	8.46%	6.76%	15.22%
94	5561	RV DEALERSHIP	2/92	7.25%	6.98%	14.23%

JUNK BOND INTEREST RATES:

#	SBIC	BUSINESS	DATE	10 YEAR T-BOND YTM	JUNK BOND RISK PREMIUM	ESTIMATE OF ACTIVE JUNK BOND YTM
95	5561	RV DEALERSHIP	7/90	8.44%	6.80%	15.24%
96	5571	MOTORCYCLE DEALER	8/92	6.65%	7.64%	14.29%
97	5943	OFFICE SUPPLY/PRINTING	1/90	7.98%	6.58%	14.56%
98	7331	MAILING SERVICE	3/92	7.45%	6.89%	14.34%
99	7331	DIRECT MAIL/PRINTING	10/89	8.18%	6.41%	14.59%
100	7349	JANITORIAL SERVICE	11/91	7.48%	7.84%	15.32%
101	7349	JANITORIAL SERVICE	8/91	8.17%	8.64%	16.81%
102	7349	HI RISE WINDOW CLEANING	11/90	8.64%	9.40%	18.04%
103	7371	COMPUTER SERVICE	6/90	8.46%	6.76%	15.22%
104	7372	COMPUTER SOFTWARE	11/92	6.91%	8.19%	15.10%
105	7374	COMPUTER SERVICE	10/91	7.45%	8.39%	15.84%
106	7513	TRUCK/TRAILER RENTAL	1/90	7.98%	6.58%	14.56%

APPENDIX E

Modifications to *BIZCOMPS'* Data

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG
MODIFICATIONS TO BIZCOMPS' DATA:							= F+G		= I*H	= H-J				= PMT FORMULA	= O*N		= PV FORMULA	= J+R		= PMT FORMULA	= U*N	= S+T				= S*Y		= Z-AA-AB	= (K*L)/2	= (I*Q)/2	= AC-AD-AE	= AF+AE+AD
	SBIC	BUSINESS	DATE	MKT. VALUE FF&E	COST INV	ORIG. ASSET SALE PR	ORIG. ASSET + INVENTORY SALE PR	% DOWN	DOWN PAYMENT	NOTE PAYABLE BALANCE SELLER	SELLER NOTE PAYABLE INTEREST RATE	SELLER NOTE PAYABLE TERM YRS.	ASSUMED # MONTHLY PAYMENTS	MONTHLY NOTE PMT SELLER	PRINCIPLE & INTEREST PMTS. ON SELLER NOTE	MARKET INTEREST RATE	PRESENT VALUE SELLER NOTE @ MARKET %	DOWN PMT + PRESENT VALUE SELLER NOTE	EST. EXTRA NET WORKING CAPITAL NEEDED	MONTHLY NOTE PMT WORKING CAP.	PRINCIPLE & INTEREST PMTS. ON ADDITIONAL WORKING CAP.	PRESENT VALUE GOING CONCERN SALE PRICE	ANNUAL GROSS SALES	DEPR.,DEP., AMORT./ SALES	ORIGINAL SDCF	DEPR./AMORT. EXPENSE	ESTIMATE OF MANAGER'S SALARY	PRETAX NET INCOME BEFORE INT.	AVERAGE ANNUAL INTEREST EXPENSE ON SELLER NOTE	AVERAGE ANNUAL INTEREST EXPENSE ON WORKING CAPITAL	PRETAX NET INCOME TO EQUITY	PRETAX NET INCOME + INTEREST EXP. TO INVEST. CAP.
1	1711	CONTR-HVAC & PLUMBING	9/91	55	78	202	280	27.00%	76	204	8.00%	10	12	2.48	30	16.11%	147	223	35	0.59	7	258	1,177	1.20%	128	14	43	71	8	3	60	71
2	1711	CONTR-HEATING & AC	3/91	85	10	240	250	40.00%	100	150	10.00%	7	12	2.49	30	17.50%	120	220	78	1.62	19	298	1,023	1.20%	143	12	42	89	8	7	74	89
3	1711	CONTR-HEATING & AC	6/90	300	0	1250	1250	50.00%	625	625	10.00%	10	12	8.26	99	15.22%	508	1,133	431	7.01	84	1,564	5,000	1.20%	350	60	85	205	31	33	141	205
4	1752	CONTR FLOOR COVERINGS	6/91	37	20	300	320	33.00%	106	214	10.00%	7	12	3.56	43	16.76%	175	281	170	3.45	41	451	2,000	0.60%	140	12	52	76	11	14	51	76
5	2022	FOOD PROC-CHEESE	11/91	560	156	1144	1300	100.00%	1,300	0	N/A	N/A	N/A	N/A	0	N/A	N/A	1,300	40	N/A	0	1,340	5,068	2.20%	167	111	86	(30)	N/A	N/A	(30)	(30)
6	2051	WHSLE BAKERY-CINN ROLLS	10/90	20	3	200	203	37.50%	76	127	10.00%	5	12	2.70	32	18.09%	106	182	-3	(0.08)	-1	179	290	3.10%	75	9	33	33	6	0	27	33
7	2431	MFG-MILLWORK	3/91	65	22	165	187	49.00%	92	95	9.00%	5	12	1.98	24	17.50%	79	170	-8	(0.20)	-2	162	240	2.40%	95	6	33	56	4	(1)	53	56
8	2431	MFG-DOOR	11/86	107	3	125	128	100.00%	128	0	N/A	N/A	N/A	N/A	0	N/A	N/A	128	20	N/A	0	148	281	2.40%	60	7	33	20	N/A	N/A	20	20
9	2515	MFG-MATTRESSES	5/92	60	50	300	350	21.00%	74	277	9.00%	10	12	3.50	42	15.09%	216	290	32	0.52	6	322	1,200	1.30%	165	16	43	106	12	2	92	106
10	2752	PRINT SHOP-NOTE PADS	11/92	75	2	140	142	50.00%	71	71	10.00%	3	12	2.29	27	15.10%	66	137	11	0.38	5	148	225	3.80%	70	9	33	28	4	1	24	28
11	2752	PRINTSHOP W/GRAPHICS	8/92	70	8	351	359	22.00%	79	280	8.00%	10	12	3.40	41	14.29%	216	295	25	0.39	5	320	555	3.80%	108	21	36	51	11	2	38	51
12	2752	PRINTING SHOP	6/92	25	3	159	162	47.00%	76	86	10.00%	3.5	12	2.43	29	14.75%	79	156	9	0.28	3	165	195	3.80%	84	7	32	45	4	1	40	45
13	2752	PRINTING SHOP	4/92	50	5	130	135	37.00%	50	85	9.00%	10	12	1.08	13	15.06%	67	117	9	0.15	2	126	233	3.80%	65	9	33	23	4	1	19	23
14	2752	PRINTING SHOP	7/91	443	68	761	829	71.00%	589	240	9.00%	10	12	3.05	37	16.34%	180	768	15	0.25	3	783	1,283	4.10%	283	53	44	186	11	1	174	186
15	2752	PRINTING-FOIL EMBOSSING	3/91	70	1	134	135	56.00%	76	59	10.00%	4	12	1.51	18	17.50%	52	127	9	0.26	3	136	165	4.30%	67	7	32	28	3	1	24	28
16	2752	PRINTING SHOP	1/91	25	2	155	157	65.00%	102	55	10.00%	5	12	1.17	14	17.40%	47	149	13	0.33	4	162	250	4.30%	45	11	33	1	3	1	(3)	1
17	2752	PRINTING SHOP	11/90	50	1	105	106	38.00%	40	66	10.00%	7	12	1.09	13	18.04%	52	92	11	0.23	3	103	208	4.30%	61	9	33	19	3	1	15	19
18	2752	PRINTING SHOP	10/90	75	10	105	115	25.00%	29	86	10.00%	7	12	1.43	17	18.09%	68	97	4	0.08	1	101	230	4.30%	48	10	33	5	4	0	0	5
19	2752	PRINTER-COMMERCIAL	8/90	127	9	201	210	40.00%	84	126	10.00%	6	12	2.33	28	15.84%	108	192	19	0.41	5	211	474	4.30%	105	20	35	50	6	2	42	50
20	2752	PRINTER-COMMERCIAL	8/90	75	5	170	175	57.00%	100	75	10.00%	5	12	1.60	19	15.84%	66	166	13	0.32	4	179	303	4.30%	112	13	34	65	4	1	60	65
21	2752	PRINTING-BUSINESS CARDS	11/89	111	3	314	317	40.00%	127	190	10.00%	5	12	4.04	48	14.85%	170	297	22	0.52	6	319	392	4.60%	106	18	35	53	10	2	42	53
22	2752	PRINTING SHOP	9/89	35	8	129	137	100.00%	137	0	N/A	N/A	N/A	N/A	0	N/A	N/A	137	5	N/A	0	142	200	4.60%	65	9	32	24	N/A	N/A	24	24
23	2752	PRINTER-COMMERCIAL	9/89	385	60	1074	1134	56.00%	635	499	10.00%	5	12	10.60	127	14.16%	454	1,089	42	0.98	12	1,131	1,386	3.90%	315	54	45	216	25	3	188	216
24	2752	PRINTING SHOP	3/88	21	4	141	145	33.00%	48	97	10.00%	5	12	2.06	25	11.57%	94	142	13	0.29	3	155	240	4.50%	48	11	33	4	5	1	(1)	4
25	3089	MFG-PROTOTYPES	8/90	60	8	137	145	52.00%	75	70	10.00%	5	12	1.48	18	15.84%	61	136	44	1.07	13	180	319	4.00%	84	13	34	37	3	3	30	37
26	3273	REDIMIX U-HAUL CONCRETE	5/91	55	4	121	125	36.00%	45	80	10.00%	3	12	2.58	31	16.89%	73	118	4	0.14	2	122	266	4.90%	53	13	33	7	4	0	3	7
27	3273	REDIMIX U-HAUL CONCRETE	9/90	85	4	151	155	100.00%	155	0	N/A	N/A	N/A	N/A	0	N/A	N/A	155	6	N/A	0	161	135	6.80%	32	9	32	(9)	N/A	N/A	(9)	(9)
28	3443	MFG-PRESSURE VESSELS	10/90	553	790	810	1600	50.00%	800	800	10.00%	5	12	17.00	204	18.09%	668	1,468	-486	(12.37)	-148	982	4,955	1.90%	478	94	85	299	40	(44)	303	299
29	3444	MFG-DRAIN GUTTERS	5/90	95	6	149	155	42.00%	65	90	10.00%	7	12	1.49	18	16.29%	75	140	54	1.08	13	194	500	2.50%	85	13	36	37	4	4	28	37
30	3444	MFG-SHEET METAL	4/88	97	9	230	239	100.00%	239	0	N/A	N/A	N/A	N/A	0	N/A	N/A	239	28	N/A	0	267	419	2.90%	61	12	35	14	N/A	N/A	14	14
31	3541	MFG-CUTTING TOOLS	12/90	100	45	135	180	78.00%	140	40	10.00%	5	12	0.84	10	17.56%	33	174	-5	(0.13)	-2	169	442	3.90%	122	17	35	70	2	0	68	70
32	3544	MFG-TOOL & DIE	7/92	490	1	590	591	26.00%	154	437	9.00%	7	12	7.04	84	14.97%	365	519	40	0.77	9	559	882	4.60%	247	41	40	166	20	3	144	166
33	3599	MFG-MACHINE SHOP	5/91	130	5	315	320	25.00%	80	240	8.00%	8	12	3.39	41	16.89%	178	258	17	0.32	4	275	400	5.20%	117	21	35	61	10	1	50	61
34	3599	MFG-MACHINE SHOP	7/90	150	3	375	378	30.00%	113	265	10.00%	7	12	4.39	53	15.24%	226	339	40	0.78	9	379	608	5.20%	112	32	37	43	13	3	27	43
35	3672	MFG-ELECTR CIRCUIT BOARD	7/89	450	70	250	320	56.00%	179	141	10.00%	5	12	2.99	36	13.51%	130	309	-28	(0.64)	-8	281	300	2.50%	60	8	34	19	7	(2)	13	19
36	3728	MFG-AIRCRAFT PARTS	12/91	800	3000	2800	5800	60.00%	3,480	2,320	10.00%	3	12	74.86	898	16.24%	2,122	5,602	-1261	(44.48)	-534	4,341	12,000	3.10%	1,000	372	162	466	116	(102)	452	466
37	3728	MACH SHOP-LG PARTS	4/90	226	0	582	582	19.00%	111	471	10.00%	6	12	8.73	105	15.69%	406	516	107	2.30	28	623	1,302	4.30%	219	56	45	118	24	8	86	118
38	3949	MFG-FITNESS EQUIPMENT	11/89	252	483	917	1400	96.00%	1,344	56	0.00%	1	12	4.67	56	14.85%	52	1,396	184	16.59	199	1,580	3,200	1.30%	575	42	65	468	0	14	455	468
39	3993	SIGN MANUFACTURER	3/91	71	5	155	160	25.00%	40	120	10.00%	5	12	2.55	31	17.68%	101	141	10	0.25	3	151	197	3.50%	61	7	32	22	6	1	15	22
40	3993	SIGN MANUFACTURER	3/90	30	71	184	255	59.00%	150	105	10.00%	5	12	2.22	27	15.58%	92	243	-40	(0.96)	-12	203	500	2.90%	70	15	36	20	5	(3)	17	20
41	3993	MFG-SIGN COMPONENTS	5/88	330	172	1255	1427	34.00%	485	942	0.00%	10	12	7.85	94	11.93%	549	1,034	10	0.14	2	1,044	1,800	1.90%	240	34	50	156	0	1	155	156
42	4213	MOVING & STORAGE	7/92	122	2	198	200	100.00%	200	0	N/A	N/A	N/A	N/A	0	N/A	N/A	200	-2	N/A	0	198	474	7.50%	82	36	35	11	N/A	N/A	11	11

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG
MODIFICATIONS TO BIZCOMPS' DATA:							= F*G		= I*H	= H-J				= PMT FORMULA	= O*N		= PV FORMULA	= J+R		= PMT FORMULA	= U*N	= S+T				= S*Y		= Z-AA-AB	= (K*L)/2	= (I*Q)/2	= AC-AD-AE	= AF+AE+AD
	SBIC	BUSINESS	MKT. VALUE DATE	MKT. VALUE FF&E	COST INV	ORIG. ASSET SALE PR	ORIG. ASSET + INVENTORY SALE PR	% DOWN	DOWN PAYMENT	NOTE PAYABLE BALANCE SELLER	SELLER NOTE PAYABLE INTEREST RATE	SELLER NOTE PAYABLE TERM YRS.	ASSUMED # MONTHLY PAYMENTS	MONTHLY NOTE PMT SELLER	PRINCIPLE & INTEREST PMTS. ON SELLER NOTE	MARKET INTEREST RATE	PRESENT VALUE SELLER NOTE @ MARKET %	DOWN PMT + PRESENT VALUE SELLER NOTE	EST. EXTRA NET WORKING CAPITAL NEEDED	MONTHLY NOTE PMT WORKING CAP.	PRINCIPLE & INTEREST PMTS. ON ADDITIONAL WORKING CAP.	PRESENT VALUE GOING CONCERN SALE PRICE	ANNUAL GROSS SALES	DEPR.,DEP., AMORT./ SALES	ORIGINAL SDCF	DEPR./AMORT. EXPENSE	ESTIMATE OF MANAGER'S SALARY	PRETAX NET INCOME BEFORE INT.	AVERAGE ANNUAL INTEREST EXPENSE ON SELLER NOTE	AVERAGE ANNUAL INTEREST EXPENSE ON WORKING CAPITAL	PRETAX NET INCOME + INTEREST EXP. TO EQUITY	PRETAX NET INCOME + INTEREST EXP. TO INVEST. CAP.
43	5013	WHSLE-AUTO SUPPLIES	8/90	100	100	350	450	49.00%	221	230	10.00%	6	12	4.25	51	15.84%	197	417	44	0.95	11	461	937	1.30%	120	12	41	67	11	3	52	67
44	5013	DISTR-AUTO PARTS	3/90	20	125	230	355	57.00%	202	153	10.00%	6	12	2.83	34	15.58%	132	334	-3	(0.06)	-1	331	670	1.70%	110	11	38	61	8	0	53	61
45	5013	DISTR-TRUCK LINERS	4/89	5	30	120	150	66.00%	99	51	10.00%	5	12	1.08	13	13.70%	47	146	57	1.32	16	203	480	1.70%	45	8	36	1	3	4	(6)	1
46	5032	DISTR-CONCRETE PRODUCTS	7/91	60	46	356	402	49.00%	197	205	9.00%	6	12	3.70	44	16.34%	169	366	3	0.07	1	369	405	1.40%	120	6	35	79	9	0	70	79
47	5045	ELECTRONIC OFFICE EQUIP	11/91	13	7	143	150	33.00%	50	101	9.00%	7	12	1.62	19	15.32%	83	133	8	0.16	2	141	271	0.70%	86	2	33	51	5	1	46	51
48	5047	DISTR-MEDICAL GASES	9/92	204	15	287	302	100.00%	302	0	N/A	N/A	N/A	N/A	0	N/A	N/A	302	5	N/A	0	307	294	1.40%	107	4	33	70	N/A	N/A	70	70
49	5047	DISTR- MEDICAL SUPPLIES	1/92	10	10	160	170	50.00%	85	85	10.00%	10	12	1.12	13	14.97%	70	155	35	0.56	7	190	330	2.10%	62	7	34	21	4	3	14	21
50	5063	DISTR-GARAGE DOOR OPENER	1/91	25	70	135	205	45.00%	92	113	10.00%	5	12	2.40	29	17.40%	96	188	-18	(0.45)	-5	170	435	1.20%	80	5	35	40	6	(2)	36	40
51	5063	DISTR-ELECTRIC WIRE PROD	10/90	10	13	108	121	25.00%	30	91	10.00%	7	12	1.51	18	18.09%	72	102	4	0.08	1	106	144	1.20%	47	2	32	13	5	0	8	13
52	5063	DISTR-ELECTRIC SUPPLY	3/90	10	43	157	200	30.00%	60	140	8.00%	10	12	1.70	20	15.58%	103	163	87	1.43	17	250	1,106	1.00%	71	11	42	18	6	7	6	18
53	5065	DISTR-TV PROD EQUIP	9/92	75	175	325	500	60.00%	300	200	10.00%	5	12	4.25	51	14.52%	181	481	263	6.19	74	744	4,029	0.70%	231	28	75	128	10	19	99	128
54	5065	DISTR-ELECTRONIC MODELS	7/91	40	220	137	357	42.00%	150	207	10.00%	5	12	4.40	53	16.34%	180	330	-36	(0.88)	-11	294	1,955	0.70%	116	14	52	50	10	(3)	43	50
55	5072	WHSLE-HARDWARE	5/91	7	102	113	215	40.00%	86	129	10.00%	3	12	4.16	50	16.89%	117	203	-30	(1.07)	-13	173	706	0.90%	130	6	38	86	6	(3)	82	86
56	5075	DISTR-AC SERVICE	10/91	60	0	185	185	38.00%	70	115	10.00%	7	12	1.90	23	15.84%	96	167	33	0.65	8	200	310	1.60%	90	5	34	51	6	3	43	51
57	5084	DISTR-WELL DRILLING EQUI	11/91	47	450	750	1200	40.00%	480	720	9.00%	7	12	11.58	139	15.32%	595	1,075	54	1.05	13	1,129	5,700	0.90%	340	51	93	196	32	4	159	196
58	5085	DISTR-INDUST SUPPLIES	9/92	30	55	450	505	33.00%	167	338	9.50%	10	12	4.38	53	14.52%	276	443	50	0.79	10	493	975	1.20%	262	12	41	209	16	4	190	209
59	5085	WHSLE-FASTENERS	2/90	100	100	335	435	40.00%	174	261	10.00%	10	12	3.45	41	15.99%	206	380	36	0.60	7	416	1,200	1.00%	150	12	43	95	13	3	79	95
60	5085	DISTR-NUTS, BOLTS, WASHE	12/87	25	685	2250	2935	33.30%	977	1,958	10.00%	15	12	21.04	252	11.48%	1,803	2,780	-369	(4.31)	-52	2,411	3,000	1.10%	465	33	63	369	98	(21)	292	369
61	5087	WHSLE-JANITORIAL SUPPLIE	6/91	5	0	135	135	37.00%	50	85	10.00%	5	12	1.81	22	16.76%	73	123	25	0.62	7	148	284	1.60%	76	5	33	38	4	2	32	38
62	5094	DISTR-SPEC JEWELRY	5/91	30	70	250	320	34.00%	109	211	10.00%	0.58	12	31.19	374	16.89%	207	315	110	16.61	199	425	522	0.80%	138	4	36	98	11	9	78	98
63	5149	DISTR-FOOD SPICES	4/92	39	36	220	256	22.00%	56	200	10.00%	7	12	3.31	40	15.06%	171	228	-13	(0.25)	-3	215	620	2.00%	93	12	37	44	10	(1)	35	44
64	5211	DISTR-HOME PRODUCTS	10/89	30	30	150	180	56.00%	101	79	10.00%	8	12	1.20	14	14.59%	68	169	108	1.91	23	277	1,917	1.20%	562	23	51	488	4	8	476	488
65	5461	DISTR-BREAD PRODUCTS	3/90	24	0	130	130	100.00%	130	0	N/A	N/A	N/A	N/A	0	N/A	N/A	130	0	N/A	0	130	600	3.50%	166	21	37	108	N/A	N/A	108	108
66	5551	MARINE DEALERSHIP	6/90	70	180	120	300	20.00%	60	240	10.00%	10	12	3.17	38	15.22%	195	255	-54	(0.88)	-11	201	980	1.50%	50	15	41	(6)	12	(4)	(14)	(6)
67	5561	RV DEALERSHIP	2/92	150	0	400	400	25.00%	100	300	7.00%	10	12	3.48	42	14.23%	222	322	161	2.52	30	483	2,123	0.60%	202	13	54	135	11	11	113	135
68	5561	RV DEALERSHIP	7/90	110	150	150	300	28.00%	84	216	10.00%	5	12	4.59	55	15.24%	192	276	132	3.16	38	408	5,000	0.30%	120	15	85	20	11	10	(1)	20
69	5571	MOTORCYCLE DEALER	8/92	90	407	443	850	29.00%	247	604	10.00%	10	12	7.98	96	14.29%	508	754	-152	(2.39)	-29	602	2,601	0.60%	267	16	59	192	30	(11)	173	192
70	5943	OFFICE SUPPLY/PRINTING	1/90	40	35	105	140	25.00%	35	105	10.00%	5	12	2.23	27	14.56%	95	130	24	0.57	7	154	500	1.40%	61	7	36	18	5	2	11	18
71	7349	JANITORIAL SERVICE	11/91	20	0	250	250	33.00%	83	168	10.00%	7	12	2.78	33	15.32%	143	225	22	0.43	5	247	493	2.30%	145	11	36	98	8	2	88	98
72	7349	JANITORIAL SERVICE	8/91	40	6	154	160	62.00%	99	61	8.00%	4	12	1.48	18	16.81%	52	151	13	0.37	4	164	425	2.30%	91	10	35	46	2	1	43	46
73	7349	HI RISE WINDOW CLEANING	11/90	20	1	155	156	73.00%	114	42	10.00%	3	12	1.36	16	18.04%	38	151	23	0.83	10	174	294	2.80%	88	8	33	47	2	2	43	47
74	7371	COMPUTER SERVICE	6/90	21	35	165	200	25.00%	50	150	10.00%	3	12	4.84	58	15.22%	139	189	-21	(0.73)	-9	168	270	3.70%	86	10	33	43	8	(2)	37	43
75	7372	COMPUTER SOFTWARE	11/92	100	5	500	505	36.00%	182	323	9.00%	5	12	6.71	81	15.10%	281	463	99	2.36	28	562	1,100	2.10%	300	23	42	235	15	1	213	235

APPENDIX F

Estimated Value of Owner's Services

Estimated Value of Owner's Services

= ((30 + (GROSS SALES - 250) * .01) * 1.10

	SBIC	BUSINESS	DATE	ANNUAL GROSS SALES	# ESTIMATE OF VALUE OF OWNER SERV. + PR TAX	FOR COMPARATIVE PURPOSES ONLY: RMA OWNERS SALARY	RMA OWNERS COMP./ SALES	ORIGINAL SDCF
1	1711	CONTR-HVAC & PLUMBING	9/91	1,177	43	53	4.50%	128
2	1711	CONTR-HEATING & AC	3/91	1,023	42	43	4.20%	143
3	1711	CONTR-HEATING & AC	6/90	5,000	85	210	4.20%	350
4	1742	CONTR-ASBESTOS REMOVAL	4/91	1,863	51	89	4.80%	534
5	1752	CONTR FLOOR COVERINGS	6/91	2,000	52	96	4.80%	140
6	2022	FOOD PROC-CHEESE	11/91	5,068	86	86	1.70%	167
7	2051	WHSLE BAKERY-CINN ROLLS	10/90	290	33	15	5.00%	75
8	2369	MFG-CHILDRENS ACCESS	10/86	414	35	12	2.80%	83
9	2431	MFG-MILLWORK	3/91	240	33	15	6.40%	95
10	2431	MFG-DOOR	11/86	281	33	16	5.60%	60
11	2515	MFG-MATTRESSES	5/92	1,200	43	41	3.40%	165
12	2752	PRINT SHOP-NOTE PADS	11/92	225	33	22	9.70%	70
13	2752	PRINTSHOP W/GRAPHICS	8/92	555	36	54	9.70%	108
14	2752	PRINTING SHOP	6/92	195	32	19	9.70%	84
15	2752	PRINTING SHOP	4/92	233	33	23	9.70%	65
16	2752	PRINTING SHOP	1/92	280	33	25	8.80%	74
17	2752	PRINTING SHOP	11/91	525	36	46	8.80%	50
18	2752	PRINTING SHOP	7/91	1,283	44	83	6.50%	283
19	2752	PRINTING-FOIL EMBOSSING	3/91	165	32	14	8.40%	67
20	2752	PRINTING SHOP	1/91	250	33	21	8.40%	45
21	2752	PRINTING SHOP	11/90	208	33	17	8.40%	61
22	2752	PRINTING SHOP	10/90	230	33	19	8.40%	48
23	2752	PRINTER-COMMERCIAL	8/90	474	35	40	8.40%	105
24	2752	PRINTER-COMMERCIAL	8/90	303	34	25	8.40%	112
25	2752	PRINTING SHOP	5/90	500	36	42	8.40%	72
26	2752	PRINTING-BUSINESS CARDS	11/89	392	35	36	9.30%	106
27	2752	PRINTING SHOP	9/89	200	32	19	9.30%	65
28	2752	PRINTER-COMMERCIAL	9/89	1,386	45	78	5.60%	315
29	2752	PRINTING SHOP	9/88	276	33	22	7.80%	52
30	2752	PRINTING SHOP	3/88	240	33	19	8.10%	48
31	3089	MFG-PROTOTYPES	8/90	319	34	26	8.10%	84
32	3273	REDIMIX U-HAUL CONCRETE	5/91	266	33	9	3.30%	53
33	3273	REDIMIX U-HAUL CONCRETE	9/90	135	32	8	6.20%	32
34	3441	MFG-STRUCTURAL STEEL	8/90	1,700	49	88	5.20%	600
35	3443	MFG-PRESSURE VESSELS	10/90	4,955	85	193	3.90%	478
36	3444	MFG-DRAIN GUTTERS	5/90	500	36	40	8.00%	85
37	3444	MFG-SHEET METAL	4/88	419	35	29	6.90%	61
38	3499	MFG-TRAILER PARTS	6/89	27,218	330	1034	3.80%	4,443
39	3541	MFG-CUTTING TOOLS	12/90	442	35	41	9.20%	122
40	3544	MFG-TOOL & DIE	7/92	882	40	81	9.20%	247
41	3599	MFG-MACHINE SHOP	5/91	400	35	38	9.50%	117
42	3599	MFG-MACHINE SHOP	7/90	608	37	69	11.30%	112
43	3672	MFG-ELECTR CIRCUIT BOARD	7/89	300	34	29	9.50%	60
44	3728	MFG-AIRCRAFT PARTS	12/91	12,000	162	612	5.10%	1,000
45	3728	MACH SHOP-LG PARTS	4/90	1,302	45	61	4.70%	219

Estimated Value of Owner's Services
= ((30 + (GROSS SALES - 250) * .01) * 1.10

	SBIC	BUSINESS	DATE	ANNUAL GROSS SALES	# ESTIMATE OF VALUE OF OWNER SERV. + PR TAX	FOR COMPARATIVE PURPOSES ONLY: RMA OWNERS SALARY	RMA OWNERS COMP./ SALES	ORIGINAL SDCF
46	3949	MFG-FITNESS EQUIPMENT	11/89	3,200	65	176	5.50%	575
47	3993	SIGN MANUFACTURER	3/91	197	32	22	11.30%	61
48	3993	SIGN MANUFACTURER	1/91	950	41	107	11.30%	90
49	3993	SIGN MANUFACTURER	3/90	500	36	42	8.30%	70
50	3993	MFG-SIGN COMPONENTS	5/88	1,800	50	68	3.80%	240
51	4212	TRUCKING COMPANY	11/90	444	35	29	6.50%	81
52	4213	MOVING & STORAGE	7/92	474	35	43	9.00%	82
53	5013	WHSLE-AUTO SUPPLIES	8/90	937	41	58	6.20%	120
54	5013	DISTR-AUTO PARTS	3/90	670	38	42	6.30%	110
55	5013	DISTR-TRUCK LINERS	4/89	480	36	30	6.30%	45
56	5013	WHSLE-AUTO SUPPLIES	12/86	724	38	33	4.60%	96
57	5013	DISTR-AUTO PAINT	9/86	375	34	17	4.60%	40
58	5032	DISTR-CONCRETE PRODUCTS	7/91	405	35	22	5.40%	120
59	5045	ELECTRONIC OFFICE EQUIP	11/91	271	33	11	3.90%	86
60	5047	DISTR-MEDICAL GASES	9/92	294	33	28	9.40%	107
61	5047	DISTR- MEDICAL SUPPLIES	1/92	330	34	22	6.80%	62
62	5063	DISTR-GARAGE DOOR OPENER	1/91	435	35	30	6.90%	80
63	5063	DISTR-ELECTRIC WIRE PROD	10/90	144	32	10	6.90%	47
64	5063	DISTR-ELECTRIC SUPPLY	3/90	1,106	42	54	4.90%	71
65	5065	DISTR-TV PROD EQUIP	9/92	4,029	75	205	5.10%	231
66	5065	DISTR-ELECTRONIC MODELS	7/91	1,955	52	96	4.90%	116
67	5072	WHSLE-HARDWARE	5/91	706	38	40	5.70%	130
68	5075	DISTR-AC SERVICE	10/91	310	34	16	5.20%	90
69	5084	DISTR-WELL DRILLING EQUI	11/91	5,700	93	171	3.00%	340
70	5085	DISTR-INDUST SUPPLIES	9/92	975	41	65	6.70%	262
71	5085	WHSLE-FASTENERS	2/90	1,200	43	56	4.70%	150
72	5085	DISTR-NUTS, BOLTS, WASHE	12/87	3,000	63	150	5.00%	465
73	5087	WHSLE-JANITORIAL SUPPLIE	6/91	284	33	12	4.30%	76
74	5094	DISTR-SPEC JEWELRY	5/91	522	36	23	4.40%	138
75	5149	DISTR-FOOD SPICES	4/92	620	37	33	5.40%	93
76	5169	DISTR-CHEMICALS	10/91	535	36	55	10.20%	85
77	5211	DISTR-HOME PRODUCTS	10/89	1,917	51	50	2.60%	562
78	5461	DISTR-BREAD PRODUCTS	3/90	600	37	22	3.70%	166
79	5551	MARINE DEALERSHIP	6/90	980	41	41	4.20%	50
80	5561	RV DEALERSHIP	2/92	2,123	54	62	2.90%	202
81	5561	RV DEALERSHIP	7/90	5,000	85	75	1.50%	120
82	5571	MOTORCYCLE DEALER	8/92	2,601	59	81	3.10%	267
83	5943	OFFICE SUPPLY/PRINTING	1/90	500	36	43	8.50%	61
84	7331	MAILING SERVICE	3/92	250	33	34	13.60%	70
85	7331	DIRECT MAIL/PRINTING	10/89	418	35	43	10.20%	136
86	7349	JANITORIAL SERVICE	11/91	493	36	58	11.80%	145
87	7349	JANITORIAL SERVICE	8/91	425	35	50	11.80%	91
88	7349	HI RISE WINDOW CLEANING	11/90	294	33	28	9.60%	88
89	7371	COMPUTER SERVICE	6/90	270	33	31	11.40%	86
90	7372	COMPUTER SOFTWARE	11/92	1,100	42	80	7.30%	300
91	7374	COMPUTER SERVICE	10/91	550	36	54	9.90%	100
92	7513	TRUCK/TRAILER RENTAL	1/90	75	31	3	4.50%	40

APPENDIX G

Selling Prices and Income Streams

SELLING PRICES AND INCOME STREAMS:

#	SBIC	BUSINESS	DATE	ORIGINAL SDCF	ORIG. ASSET SALE PR	PRESENT VALUE GOING CONCERN SALE PRICE	PRETAX NET INCOME TO EQUITY	PRETAX NET INCOME + INTEREST EXP. TO INVEST. CAP.	PRETAX NET FREE CASH FLOW TO EQUITY	PRETAX NET FREE CASH FLOW TO INVEST. CAP
1	1711	CONTR-HVAC & PLUMBING	9/91	128	202	258	60	71	48	85
2	1711	CONTR-HEATING & AC	3/91	143	240	298	74	89	52	101
3	1711	CONTR-HEATING & AC	6/90	350	1250	1,564	141	205	82	265
4	1752	CONTR FLOOR COVERINGS	6/91	140	300	451	51	76	4	88
5	2022	FOOD PROC-CHEESE	11/91	167	1144	1,340	(30)	(30)	81	81
6	2051	WHSLE BAKERY-CINN ROLLS	10/90	75	200	179	27	33	11	42
7	2431	MFG-MILLWORK	3/91	95	165	162	53	56	41	62
8	2431	MFG-DOOR	11/86	60	125	148	20	20	27	27
9	2515	MFG-MATTRESSES	5/92	165	300	322	92	106	74	122
10	2752	PRINT SHOP-NOTE PADS	11/92	70	140	148	24	28	5	37
11	2752	PRINTSHOP W/GRAPHICS	8/92	108	351	320	38	51	27	72
12	2752	PRINTING SHOP	6/92	84	159	165	40	45	20	52
13	2752	PRINTING SHOP	4/92	65	130	126	19	23	17	32
14	2752	PRINTING SHOP	7/91	283	761	783	174	186	199	239
15	2752	PRINTING-FOIL EMBOSSING	3/91	67	134	136	24	28	14	35
16	2752	PRINTING SHOP	1/91	45	155	162	(3)	1	-6	12
17	2752	PRINTING SHOP	11/90	61	105	103	15	19	12	28
18	2752	PRINTING SHOP	10/90	48	105	101	0	5	-3	15
19	2752	PRINTER-COMMERCIAL	8/90	105	201	211	42	50	37	70
20	2752	PRINTER-COMMERCIAL	8/90	112	170	179	60	65	55	78
21	2752	PRINTING-BUSINESS CARDS	11/89	106	314	319	42	53	16	71
22	2752	PRINTING SHOP	9/89	65	129	142	24	24	33	33
23	2752	PRINTER-COMMERCIAL	9/89	315	1074	1,131	188	216	131	270
24	2752	PRINTING SHOP	3/88	48	141	155	(1)	4	-13	15
25	3089	MFG-PROTOTYPES	8/90	84	137	180	30	37	19	50
26	3273	REDIMIX U-HAUL CONCRETE	5/91	53	121	122	3	7	-13	20
27	3273	REDIMIX U-HAUL CONCRETE	9/90	32	151	161	(9)	(9)	0	0
28	3443	MFG-PRESSURE VESSELS	10/90	478	810	982	303	299	337	393
29	3444	MFG-DRAIN GUTTERS	5/90	85	149	194	28	37	18	49
30	3444	MFG-SHEET METAL	4/88	61	230	267	14	14	26	26
31	3541	MFG-CUTTING TOOLS	12/90	122	135	169	68	70	78	87
32	3544	MFG-TOOL & DIE	7/92	247	590	559	144	166	113	207
33	3599	MFG-MACHINE SHOP	5/91	117	315	275	50	61	37	82
34	3599	MFG-MACHINE SHOP	7/90	112	375	379	27	43	13	75
35	3672	MFG-ELECTR CIRCUIT BOARD	7/89	60	250	281	13	19	-2	26
36	3728	MFG-AIRCRAFT PARTS	12/91	1,000	2800	4,341	452	466	473	838
37	3728	MACH SHOP-LG PARTS	4/90	219	582	623	86	118	42	174
38	3949	MFG-FITNESS EQUIPMENT	11/89	575	917	1,580	455	468	255	510
39	3993	SIGN MANUFACTURER	3/91	61	155	151	15	22	-5	29
40	3993	SIGN MANUFACTURER	3/90	70	184	203	17	20	19	34
41	3993	MFG-SIGN COMPONENTS	5/88	240	1255	1,044	155	156	94	190
42	4213	MOVING & STORAGE	7/92	82	198	198	11	11	47	47
43	5013	WHSLE-AUTO SUPPLIES	8/90	120	350	461	52	67	17	79
44	5013	DISTR-AUTO PARTS	3/90	110	230	331	53	61	39	72
45	5013	DISTR-TRUCK LINERS	4/89	45	120	203	(6)	1	-20	9

SELLING PRICES AND INCOME STREAMS:

#	SBIC	BUSINESS	DATE	ORIGINAL SDCF	ORIG. ASSET SALE PR	PRESENT VALUE GOING CONCERN SALE PRICE	PRETAX NET INCOME TO EQUITY	PRETAX NET INCOME + INTEREST EXP. TO INVEST. CAP.	PRETAX NET FREE CASH FLOW TO EQUITY	PRETAX NET FREE CASH FLOW TO INVEST. CAP
46	5032	DISTR-CONCRETE PRODUCTS	7/91	120	356	369	70	79	40	85
47	5045	ELECTRONIC OFFICE EQUIP	11/91	86	143	141	46	51	32	53
48	5047	DISTR-MEDICAL GASES	9/92	107	287	307	70	70	74	74
49	5047	DISTR- MEDICAL SUPPLIES	1/92	62	160	190	14	21	8	29
50	5063	DISTR-GARAGE DOOR OPENER	1/91	80	135	170	36	40	22	45
51	5063	DISTR-ELECTRIC WIRE PROD	10/90	47	108	106	8	13	-4	15
52	5063	DISTR-ELECTRIC SUPPLY	3/90	71	157	250	6	18	-9	29
53	5065	DISTR-TV PROD EQUIP	9/92	231	325	744	99	128	31	156
54	5065	DISTR-ELECTRONIC MODELS	7/91	116	137	294	43	50	22	64
55	5072	WHSLE-HARDWARE	5/91	130	113	173	82	86	55	92
56	5075	DISTR-AC SERVICE	10/91	90	185	200	43	51	25	56
57	5084	DISTR-WELL DRILLING EQUI	11/91	340	750	1,129	159	196	95	247
58	5085	DISTR-INDUST SUPPLIES	9/92	262	450	493	190	209	159	221
59	5085	WHSLE-FASTENERS	2/90	150	335	416	79	95	58	107
60	5085	DISTR-NUTS, BOLTS, WASHE	12/87	465	2250	2,411	292	369	201	402
61	5087	WHSLE-JANITORIAL SUPPLIE	6/91	76	135	148	32	38	14	43
62	5094	DISTR-SPEC JEWELRY	5/91	138	250	425	78	98	-472	102
63	5149	DISTR-FOOD SPICES	4/92	93	220	215	35	44	19	56
64	5211	DISTR-HOME PRODUCTS	10/89	562	150	277	476	488	474	511
65	5461	DISTR-BREAD PRODUCTS	3/90	166	130	130	108	108	129	129
66	5551	MARINE DEALERSHIP	6/90	50	120	201	(14)	(6)	-19	9
67	5561	RV DEALERSHIP	2/92	202	400	483	113	135	76	148
68	5561	RV DEALERSHIP	7/90	120	150	408	(1)	20	-58	35
69	5571	MOTORCYCLE DEALER	8/92	267	443	602	173	192	141	208
70	5943	OFFICE SUPPLY/PRINTING	1/90	61	105	154	11	18	-9	25
71	7349	JANITORIAL SERVICE	11/91	145	250	247	88	98	70	109
72	7349	JANITORIAL SERVICE	8/91	91	154	164	43	46	34	56
73	7349	HI RISE WINDOW CLEANING	11/90	88	155	174	43	47	29	55
74	7371	COMPUTER SERVICE	6/90	86	165	168	37	43	4	53
75	7372	COMPUTER SOFTWARE	11/92	300	500	562	213	235	149	258

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