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HARVESTING A 'LOST' INVESTMENT :
CASE STUDY OF A FINANCIAL INNOVATION

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ABSTRACT

In the field of Entrepreneurial research, financial innovations have been less studied and reported than product or process innovations. A case example is presented with implications for a large number of firms requiring financial restructuring as a precondition to attracting equity investment. An insolvent asparagus exporter with high growth potential offered opportunity to test a model of financial restructuring and unlisted equity marketing, the ersatz venture capital (EVC) hypothesis. A business plan written in accordance with EVC prescriptions revealed the company's potential and attracted investors It is argued that the approach may help solve two pressing problems of the Australian economy: re-vitalisation of businesses rendered insovent by excessive debt and stimulation of a depressed venture capital market.

1. BACKGROUND TO Xfarm

1.1 Debt-wrecking And The Lenders' Dilemma.

A major feature the 1980s Australian financial landscape was a phenomenon which Hindle has called 'debt-wrecking' [Hindle, Ph.D. Thesis, passim]. The economy is littered with businesses which are operationally profitable (i.e. they have acceptable earnings before interest and tax) but technically insolvent due to inability to meet the interest payments on debt. If they could be freed of the shackles of debt, some of these businesses would have the high-growth potential desired by 'traditional' venture capitalists (minus many of the risks associated with startups). The 1980s 'debt-wrecking' had three major causes:

¥ mishandled financial deregulation [Martin Committee, 1991] and [I.C. Report 18, 1991];
¥ gearing blowouts based on overheated asset markets, [Falkiner, 1991];
¥ continued high real interest rates [Boyd, 1992].

This has left lenders with a major dilemma. The banks and larger financial intermediaries are now de facto equity holders. Under loan covenants, they effectively own and control the debt-wrecks. The sheer volume of non-performing loans is so vast (over 20% of total loan portfolios in some cases [Falkiner, 1991, p.15]) that traditional write-off policies cannot be applied without severely damaging the value of the total portfolio. If losses of this magnitude were realised, it is even possible that lenders themselves would become technically insolvent because of failure to meet capital adequacy ratios set by the Reserve

Bank of Australia.
Australian lenders, including all the major banks, are thus in dangerous and uncharted waters. The lenders' dilemma is dramatic: they cannot afford to write off many non-performing loans and they lack the techniques, skills and staff suitable to effecting business turnarounds. Even if they could effect turnarounds, there is no obvious market for the 'saved' businesses.

1.2 ÔDebt-WreckingÕ In The Rural Context

The 1980's saw debt levels in the rural sector rise to unprecedented levels. In the early part of the decade, debt per farm in broadacre agriculture surged from relatively low levels to peak around 1985-1987 before declining towards the latter part of the decade [Peterson et al., 1991, passim].

Prior to the 1980s, the rural sector did not have access to the myriad of financial fund raising instruments and options available in the corporate sector. The boom in real asset values dramatically changed the pattern of rural borrowing. From being financed through mortgage, retained earnings and moderate levels of short-term working capital finance, many farmers became unsophisticated asset speculators. The asset boom coincided with a period of sharply falling real farm incomes due, mainly, to fluctuations of the Australian dollar and a drop in rural commodity prices (especially the staples of wheat and wool). Declining incomes increased the percentage of farm earnings needed to service existing debt leaving less available for working capital and to buffer seasonal fluctuations. Asset speculation had disastrous affects on rural borrowers when the property boom ended in 1990. As real estate asset values slumped, highly-geared farmers were unable to meet interest commitments and security ratios [Cribb, 1990]. Stutchbury [Stutchbury, 1991, p. 55] stresses that the combination of a continued cost-price squeeze, and the effects of overgearing during the mid and late 1980s have seen aggregate terms of trade for farmers plummet from an index of 250 in 1961 to 150 in 1981 to under 100 in 1991. The net value of aggregate farm production is now less than 2 billion (1991) dollars. It was nearly 12.5 billion dollars in 1971.

1.3 An Example Of A Rural Debt-wreck: Xfarm. A Negative History Of Debt Growth And Equity Disinterest.

Summary details of the business.

The subject business will be referred to throughout this paper as ÔXfarmÕ, the owner/farmer/entrepreneur as ÔMr DavidsonÕ and the lender, as ÔLendcorpÕ, a major Australian financial intermediary, very active in lending to the rural sector during the asset boom of the 1980s.

Xfarm is a value-added exporter of premium fresh asparagus produced on a 944-hectare (2,300-acre) property which includes a processing and packaging factory of world-competitive standard, extensive mineral deposits and substantial adjunct farming and pastoral capacity. In itself, the productive enterprise, the asparagus farming, export business and associated activities of Xfarm form a dynamic, efficient and profitable enterprise. In 1991, Xfarm generated operating profits (EBIT) of over one million dollars from sales of over four million dollars and is capable of substantial and rapid increases in both turnover and profitability - if capital were available. But, given that XfarmÕs current financial structure is untenable, capital is not available. Xfarm is overgeared to such an extent that its profits from operations are insufficient to cover the interest payments due on its debt to Lendcorp. The unpaid interest is accruing and increasing the debt burden. Defaults on loan covenants have made Lendcorp the de facto controller of XfarmÕs destiny, with the right and power to place the business in liquidation at any time.

Mr Davidson is a rural entrepreneur who has spent many years pioneering AustraliaÕs premier asparagus export operation to a stage where Xfarm - productively - is one of the most efficient and high-quality operations of its kind in the world and its ÔX BrandÕ Asparagus is recognized as the premier Australian Brand in Japan, with an eight per cent share of the seasonal Japanese market. However, financed largely by debt to Lendcorp, the cost of getting the business to this stage has been, for Mr Davidson, greater than the rewards. Summary financial data as at June 30, 1991 are set out below.

Figure 1.1
Xfarm Summary Financial Information ($,000s) 30 June, 1991

Total Assets Total Liabs. Net Worth EBIT NPAT 2,287 10,054 (7,767) 288 (1,340)

XfarmÕs financial position steadily deteriorated from the early 1980s onwards. Figure 1.2 demonstrates the growth of the company's liabilities and accumulated losses. It should be noted that Xfarm has been almost self-funding (not requiring extra loan principle) since 1988. The primary cause of rapid debt growth since 1988 has been XfarmÕs inability to meet interest payments as they fell due. Note how the gap between the principal and accrued interest and the advances and repayments widened considerably from 1989 to 1991. As the unpaid interest accrued and the accumulated losses grew, the Ôjaws of debtÕ opened wider.

Figure 1.2
Xfarm A Break Even Operation In The Jaws Of Debt

Source: Xfarm Taxation Records

2. THE NEED FOR FINANCIAL INNOVATION

2.1 Parlous State Of 'Traditional' Venture Capital

The Australian market and industry for what one might call the 'traditional' or 'American model' of venture capital has collapsed and will not regain full vigour for probably 20 years. There is no shortage of demand for venture capital. Supply is the problem. [Ball and Hindle, 1992].

2.2 Failure Of Australian Unlisted Equity Markets, Marketing And Insolvency Practice

Throughout Australia's history, there has never been a structured, efficient market for unlisted equity - shares of smaller companies not listed on the main board of the stock exchange [Hartwell and Lane, 1989]. The only structured and sustained attempt to create one - 'The Second Board' - was an abject failure [Hindle and Diemont, 1992].

Not only are there no defined markets for small business or new business equity, but the procedures for marketing and selling small businesses are inadequate. [Hindle and Mittag, 1992]. The 'standard' techniques for selling an unlisted business as a going concern are an auction (for rural businesses) and 'the 'information memorandum procedure' for non-rural businesses. This features prosaic advertising in defined zones of the business sections of newspapers and preparation of a stilted, ritualized short document called an 'information memorandum' which is designed to highlight only the positive aspects of the business, rarely includes more than abbreviated historic data and is really only useful to businesses with a track record of sustained past profits. The accountants who prepare these information memoranda may or may not have financial and business planning skills, but, if they do, they keep the fact well hidden. A recent survey of the NSW accounting fraternity indicated that over 61% of hours spent in CPA accounting practices were spent on taxation work whereas less than 4% of practice time went into financial planning. [Laing and Andrew, 1991].

Things are even worse for businesses in difficulty - whether through debt-wrecking or for any other reason. The standard practice for dealing with insolvent businesses, in Australia, involves no strategic insight, utilizes very prosaic marketing techniques and makes no attempt to forecast a brighter financial future.

2.3 The Problem Becomes An Opportunity For Financial Innovation

The ÔInformation Memorandum MentalityÕ - the antithesis of the business planning ethos pervading entrepreneurial teaching and practice - is the major weakness in the Australian 'non-market' for selling equity in unlisted businesses [Hindle and Mittag, 1992]. Trying to sell small business equity on the basis of future earnings potential is both procedurally and culturally alien to the Australian business selling arena and the fraternity of accountants in public practice. An attempt to sell insolvent debt-wrecks on the basis of future earnings potential would be regarded by many practicioners in the field as radical to the point of the bizarre. In this environment, it would seem, many debt wrecks potentially worth saving simply cannot be saved.

Or can they? The essence of creative innovation is conversion of a problem into an opportunity. Since the prime criteria used by investors in unlisted equity are financial, the problem of debt-wrecks becomes an opportunity for financial innovation. This paper suggests and tests an adaptation of entrepreneurial business planning theory, largely financial in orientation, which has the potential to be the salvation of many debt-wrecks now aimlessly adrift in the Australian economy and threatened with complete destruction on the harsh rocks of inflexible and inadequate business practices.

3. A FINANCIAL AND BUSINESS PLANNING INNOVATION: THE ERSATZ VENTURE CAPITAL HYPOTHESIS

3.1 The Potential To Amend ÔTraditionalÕ Entrepreneurial Business Planning Theory And Apply It To The Salvation Of Debt Wrecks

Entrepreneurial teaching and practice is critically centered on the process of writing a business plan - how one does it; what should be in it. Writing a business plan is the pivotal focus; the very core of most entrepreneurship education programs [Timmons, 1990]. Paradoxically, formal entrepreneurial research does not contain many examples of studies focusing on the business plan as a topic worth examining from a theoretical or empirical point of view. For instance, the excellent Encyclopedia Of Entrepreneurship - a compilation of outstanding chapters concerning the issues and state of entrepreneurial research - has only one indexed reference to the business plan [Kent, Sexton, and Vesper, 1982, p. 128]. Thus, the business planning literature tends to be practical-normative (the 'how to write successful business plan' genre) rather than theoretical-analytical. Therefore, any analytical review of the business planning literature aimed at deriving a theory of entrepreneurial business planning boils down to an attempt to distill the major points of agreement between 'how to write' and 'what to include' which a diverse collection of practical-normative writers have prescribed as the key elements of an 'ideal' entrepreneurial business plan. Such a literature review, conducted by the author, has identified three fundamental elements which the 'how to' writers tend to have in common and which form the essence of what might be called the received theory of entrepreneurial business planning.

¥ Implicit Startup/Venture Capital Orientation. The prime mission which writers envisage for a business plan is the securing a venture capital (or other medium to long-term risk capital) equity investment by a startup or early stage investment.

¥ Emphasis On Brevity. Entrepreneurs are advised to keep the plan as short as possible, with many writers suggesting a length of no more than 40 pages.

¥ Emphasis On 'Do It Yourself'. Entrepreneurs are advised to 'make the plan your plan' and avoid the use of professional consultants.

Some writers do recognize the potential of entrepreneurial business planning to transcend these elements and gain a wider relevance. Particularly germane to this paper is Timmons who discusses the role and objectives of a 'turnaround plan' [Timmons, 1990, pp. 537-542]. However, it is reasonable to say that the received theory of business planning is not applicable in the current Australian financial environment: there is almost no venture capital; startups are massively unattractive in a buyer's market for proven businesses; the complexities of established (especially debt-wrecked) businesses cannot be encompassed in short documentation; business and financial planning skills are in short supply in the accounting profession let alone among untrained proprietors of businesses which are financial failures.

So, what use is entrepreneurial theory? Can it be adapted and made relevant?

3.2 The Ersatz Venture Capital Hypothesis

Australia's economic circumstances have created a circumstantially defined field for the adaptation and application of entrepreneurial theory to debt-wrecked businesses. Hindle's suggested, adaptation of entrepreneurial theory to debt-wrecked circumstances is embodied in the Ersatz Venture Capital Hypothesis. A short statement of it is set out below.

An amended theory of entrepreneurial business planning and marketing can succeed in attracting new equity investors to the initial salvation and subsequent profitable development of selected debt-wrecked businesses where existing financial practices (marketing of unlisted equities and insolvency practice) have failed. For debt-wrecks with certain key characteristics, it is possible to employ entrepreneurial theory to devise a new strategy and capital structure, and incorporate them in a plan written according to prescriptions which differ in certain important respects from the received theory of the 'traditional' business plan which seeks 'traditional' venture capital. The plan - and associated business-marketing techniques - can position the restructured enterprise as an attractive investment, analogous to a startup but with much lower associated risks. The combination of high potential rates of return and proven productive performance (rather than the 'blue sky' of startups) has the potential to attract investors whose risk aversion would normally preclude their participation in either 'traditional' venture capital or acquisition of unreconstructed debt-wrecks. The market thus created between interests associated with the restructured former debt-wrecks (sellers) and potential investors (buyers/capital suppliers) may be called an Ersatz Venture Capital Market. The development and operation of the Ersatz Venture Capital Market has potential to make a major contribution to the Australian economy.

'Ersatz' is a German word meaning 'replacement'. Australian circumstances make it imperative that 'traditional, U.S.A.-derived constructs of both business planning and venture capital be 'replaced' by adaptations of entrepreneurial theory which are immediately relevant to Australian contingencies. Australia's 'traditional' venture capital market is worth negligible dollars. The Ersatz Venture Capital Market is potentially worth many millions of dollars.

3.3 Estimating The Potential Value Of The Ersatz Venture Capital Market

As discussed, the banks and other lenders are now de facto equity holders. The traditional policy of writing off bad debts presumes that they represent only a tiny fraction of a banker's portfolio. With non performing loans in AustraliaÕs major banks expected to reach between 20 and 30 percent for certain categories of loans, [Falkiner, 1991, p.15], the potential maximum value of Ersatz Venture Capital Market equity can be conservatively estimated to lie between $13.7 billion and $15.2 billion (see Figure 3.1). This is based on the reasonable assumption that banks would be more than willing to 'sell up' all the businesses under their de facto control for an amount which would return to them the value of the principle and accrued interest embodied in all non performing loans. Under Australian Taxation law, a financial institution cannot write off a loan unless it is convinced that there is no possibility of further recovery of the debt. The maximum potential size of the market therefore is represented by the total value of non performing loans which have not yet been written off. Figure 3.1 shows the actual and projected level of non performing loans in the four largest banks in Australia; Commonwealth Bank, ANZ Bank, Westpac Banking Corporation and National Australia Bank (as at September, 1991).

Figure 3.1
ERSATZ VENTURE CAPITAL MARKET Potential Market Size

Source: Potter Warburg Research

As Figure 3.1 shows, the actual value of the market for Ersatz Venture Capital as at September 1991 was $15.2 billion. Obviously, not all non performing loans would suit the Ersatz model. However, even if EVC could be applied to only one percent of the loans in the potential market, this would represent 'Ersatz marketable' equity value of the order of $150 million.

3.4 The Key Criteria Which Qualify A Debt-wrecked Enterprise As A 'Candidate' For Ersatz Venture Capital (EVC)

Traditional entrepreneurial theory and practice place great emphasis on the screening process before any startup opportunity is considered worthy of the major effort which goes into preparing a business plan capable of securing traditional venture capital [Timmons, 1990, Part 1, especially Chapter 4]. Similarly, there is a need to distinguish suitable from unsuitable candidates for Ersatz Venture Capital treatment. As suggested in the previous section, only a minority of debt wrecks will be suitable for and worthy of EVC business planning with a view to attracting investors. The author postulates five key criteria for the selection of Ersatz Venture Capital candidates.

¥ The candidate business must have a sustainable competitive advantage (SCA) capable of constituting a unique selling proposition (USP) to a definable class of anticipated prospective investors.

¥ There must be strong evidence that earnings before interest and tax (EBIT) have passed a point of inflection from the introductory to the growth phase of the business's life cycle and that high growth in earnings is a strong possibility after capital restructuring.

¥ If effective operation of the enterprise involves significant technology transfer to the new owners, there must be an ability to retain strong commitment by the existing owner(s) of the business to stay on long enough after the sale to enable the new owner(s) to master all relevant business operations. Ideally, a continued, if diminished, role for the existing owner(s) should be built into the plan, possibly involving some retention of equity.

¥ The lender must be willing to accept a reasonable degree of loss on its outstanding loans.

¥ The owner(s) and the lender must enjoy harmonious relations and share equal commitment to the business planning strategy.

3.5 Major Differences Between An 'Ersatz' Business Plan And The ÔTraditionalÕ Entrepreneurial Business Plan

The theory of Ersatz Venture Capital (EVC) argues that an EVC business plan needs to differ from the traditional business plan (TBP) in six major respects. An EVC plan must:

¥ be much longer than a TBP plan;
¥ have an enhanced emphasis on strategic imperatives and options;
¥ provide a detailed chapter on management accounting perspectives for planning purposes;
¥ often cater for an unusual and complex equity transfer procedure and deal structure;
¥ employ a balance sheet valuation method (IRR on year 5 equity) instead of applying a times-earnings multiple to discounted after tax earnings as the prime method of calculating internal rate of return on investment;
¥ include an extended range of quantitative and qualitative investment evaluation perspectives including: UTILIZING ACCUMULATED TAX CREDITS; RAW ASSET VALUATION; EXPLOITING AN ESTABLISHED STRATEGIC POSITION; EXPLOITING POSSIBLE SYNERGIES WITH A POTENTIAL ACQUIRER'S EXISTING OPERATIONS; DEMONSTRATING A ÔSTARTUP YARDSTICK.Õ.

4. APPLYING THE FINANCIAL INNOVATION TO Xfarm

4.1 Xfarm's Suitability For EVC Treatment

In many key respects, Xfarm is a paradigm of debt-wrecked Australian rural enterprise, with potential to provide an acid test of the efficacy of the Ersatz Venture Capital Hypotesis. Past attempts to raise equity finance have been varied, continuous and universally unsuccessful for over eight years. In a traditional, conservative, financial perspective, Xfarm could fairly be described as a Ôbasket caseÕ; chronically insolvent.

However, Xfarm comports with all the prescriptions of section 3.4. A Business Plan was written comporting with all the prescriptions of section 3.5. Figure 4.1, combining historical accounting data and business plan projections, clearly indicates that Xfarm exhibits almost textbook characteristics of a business emerging from the introductory to the growth phase of its business life cycle curve. This is the quintessential hallmark of the EVC 'candidate'.

Figure 4.1
Xfarm Business Lifecycle Curve

Sources: Xfarm Taxation Records & [Hindle, 1991.2]

4.2 Synopsis of the Xfarm Business Plan

In September of 1991, with much scepticism, LendcorpÕs board authorised the author to commence work on a brief believed to be ÔimpossibleÕ. The plan and marketing strategy were completed in December, 1991. Xfarm was a productive success and a financial failure. This gave rise to one dominant strategic imperative: eliminate the debt and re-capitalize Xfarm with predominantly equity finance. The proposed method of sale eliminated all debt but retained access to accumulated tax credits for which the cash flow benefits are substantial. The asking price of A $7,500,000 was projected to earn a compound annual internal rate of return approaching 15% over the five years of the business plan and produce a business which, by the end of year five, would have a net worth approaching $15 million (without allowing for any increase in land value).

A strategy was developed which provided for appropriate capital restructuring and was incorporated in a comprehensive but adaptable five-year business plan. The plan was detailed in a financial model which could be used both as an on-going management tool and as a means for performing sensitivity analysis in response to the particular questions and requirements of individual prospective investors. The plan was based on perceiving Xfarm as a strategically positioned, value-added exporter, rather than as a mere 'primary producer'.

Evidence of the value of the business and appropriateness of the suggested strategy was furnished by: a thorough marketing, organizational, operational, management and strategic analysis; a full suite of detailed, annotated proforma financial statements for the next 5 years; a separate volume containing 8 appendices relevant to the due diligence process; consideration of the potential to mechanize many labour-intensive operations; access to further documentation and material upon request; a video showing the business operating in peak season; a comprehensive description of the background to the investment opportunity and over eighty plates, tables and figures providing succinct encapsulation of a variety of vital information, including 12 colour plates which illustrate the process of production from harvest to international dispatch.

4.3 Marketing Initiatives

Before commencing marketing of Xfarm under the EVC prescriptions, over forty organizations were contacted to provide target market data subsequently used in the formulation of a marketing strategy radically differing from the 'standard' procedures usually applied to sale of businesses in Australia and the approaches adopted by Lendcorp and its consultants in all previous unsuccessful attempts to sell the business. The adopted strategy included: the production of a first class corporate video presentation; a large display advertisement published in the 'Business Opportunities' section of The Australian Financial Review and circulation of an abridged introductory document containing key financial information for initial inquirers. The number of respondents to the EVC advertisement exceeded total responses from all previous marketing efforts over five years and the quality and interest level of the 'average' inquiry was substantially higher. This result was achieved despite the published sale price of Xfarm being more than double any previously advertised figure.

5. CONCLUSIONS AND IMPLICATIONS

5.1 Results Of Interest To Financial And Venture Capital Researchers: EVC Zone And Deal Zone

The bedrock situation facing Xfarm and Lendcorp in December 1991 (just before release of the 'Ersatz' business plan and marketing strategy) was a firesale, (based on current, minimum, raw asset valuations) of $2.5 million. The 'Ersatz' argument (based on the future potential of a dynamic going concern) placed a negotiating opening value of $7.5 million on the restructured Xfarm. The offer did not (as all previous offers did) include Mr Davidson's homestead block of 300-hectares (750-acres), conservatively valued at $500,000. So, this amount should be added to the price achieved to calculate Lendcorp's actual yield from the sale.

In December, 1991, when the business plan was completed, Xfarm owed Lendcorp very close to $10 million dollars. Assuming the five year financial projections of the business plan were to be achieved, (an assumption all business plans make), Figure 6.1 shows the yields, to both buyer and seller at various sale prices and the 'zone of Ersatz Venture Capital' for this particular business. The zone lies between the firesale price (less the $500,000 value of the retained homestead block) and the opening price asked. The opening price was based on evidence that a return of 15% compound was the minimum likely to be acceptable to prospective investors identified in the marketing analysis conducted prior to advertising the business for sale.

Figure 5.1
Xfarm's Zone Of Ersatz Venture Capital

Source: Hindle, 1991.2

As prices approach firesale, estimated returns to the Ersatz Venture Capitalist rival those rates sought by the 'traditional' venture capitalist. Consider the implication at the extreme. If the business sold for $2 million - a figure which Lendcorp might accept if it were in firesale mode - the Ersatz Venture Capitalist's internal compound rate of return is estimated at nearly 50%. But the business plan's demonstration of future potential has removed Lendcorp from firesale mode. Any offer less than $4.5 million will simply not be entertained: Lendcorp decided that if no offer exceeded this figure, it would trade on as de jure rather than de facto owner of Xfarm. Already this is a significant achievement for both the theory of Ersatz Venture Capital and the Australian economy. One less rural business is headed for oblivion. A vital toehold in an important export market has been retained. The key thing for the financial analyst, though, is that the theoretical zone of Ersatz Venture Capital gives way to the Xfarm deal zone (see Figure 6.2).

Figure 5.2
XFARM's Deal Zone

Source: [Hindle, 1991.2]

At time of writing (mid-May, 1992), two firm offers within the deal zone are under consideration and a third is pending. This is a significant achievement for a business-sale method (crucial to the Ersatz Venture Capital Hypothesis) which was regarded by members of Lendcorp's sceptical senior management as highly unlikely to be worth the time delay between its implementation, its 'inevitable' failure and Lendcorp's acquiescence in an 'inevitable' firesale.

Given that offers within the 'deal zone' have been tabled, the financial benefit for Lendcorp will be an Ersatz Venture Capital premium (over firesale price) of between $2.5 and $5.5 million. The buyer will acquire a profitable, high-growth enterprise. Mr Davidson has the opportunity to keep his home and gainful employment for himself and his workers. Australia will retain a significant and growing presence in a valuable export market. A firesale would have eliminated all these benefits to all parties and seen the land revert to pasture for agistment. Lendcorp's Board, impressed by the methodology which produced the result, is now actively reviewing its entire non performing loan portfolio to identify further candidates suitable for EVC treatment.

5.2 Wider Implications

The 'traditional' Venture Capital market in Australia is unlikely to be rejuvenated before the next century and debt wrecks are a major feature of the Australian economic landscape. The potential development of an Ersatz Venture Capital market (a market based on injecting new equity into salvageable debt wrecks with high growth potential) offers a partial solution to both problems. This has profound and obvious implications for both the Australian economy and the relevance of entrepreneurial theory and practice to urgent national priorities. The Xfarm test case indicates that there is potential to develop a new equity market which will simultaneously save Australian lenders millions of dollars in bad debts and ensure the survival and development of many high-growth businesses which would otherwise be destroyed.

An infant theory's first screams have been heeded. Perhaps Australia's Ersatz Venture Capital market has begun.

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See, below, section 2.3

See, below, Figure 4.1.

Lendcorp intends ,subject to performance, to let Mr Davidson 're-earn 'his family home. This comports with the EVC prescriptions set out in section 3.4, above.

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