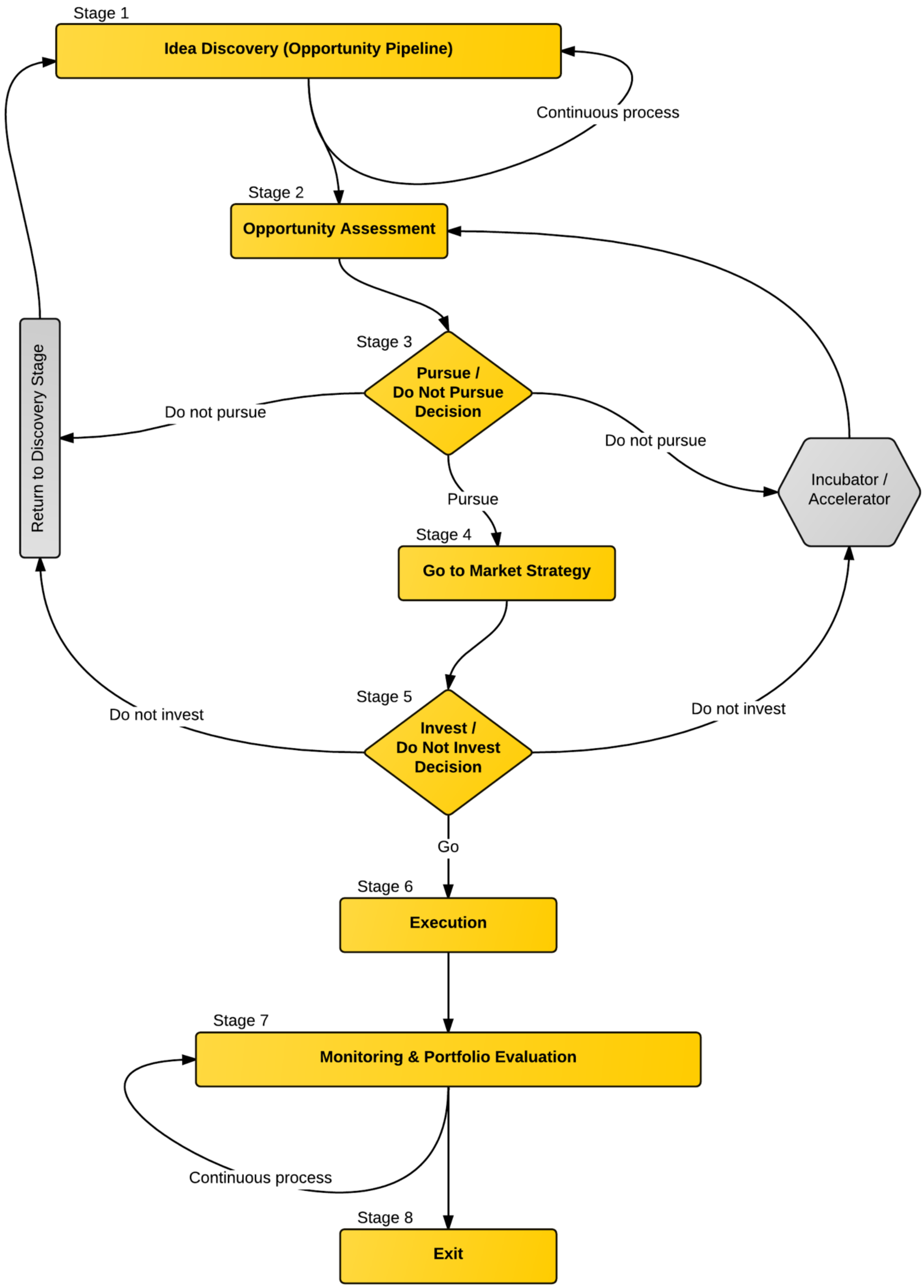
EIGHT-STAGE INVESTMENT DECISION CYCLE



Stage 1: Idea Discovery
The first stage is Idea Discovery. During this stage, the council identifies opportunities and leads that are in line with its market strategy and objectives, which is in turn derived from the city's current economic development goals. The focus in this stage is on deal flow – generating a high enough number of leads to have a reasonable probability of identifying value-added investments. Techniques that may facilitate this stage include hosting and participating in start-up events, referrals from entrepreneurs, and opportunities identified by industry partners looking to syndicate a new investment.

Stage 2: Opportunity Assessment
During this stage, the city will qualify the leads identified in Stage 1 in order to create a candidate pool of potential investments. Products selected for advancement beyond this stage should have business objectives that are in line with the City's long-term economic development goals and objectives. Obvious issues should also be identified and products exhibiting these should be carefully scrutinized. These include issues related to timing (likelihood of a successful exit during the investment horizon), risk, and valuation problems (unrealistic profitability expectations). Each of these issues will impact return-on-investment capital.

Stage 3: Pursue / Do Not Pursue Decision Point
Qualified leads should be presented to the council to determine if the opportunity warrants further consideration. Tailored decision criteria should be developed and applied to answer the key question: "Are we going to invest more time and resources into this product?" If this answer to this question is no, there are two options available to the city. The first is to funnel the startup to an incubator / accelerator program. If the firm shows promise but is not ready for investment, an accelerator can address the weaknesses in the firm's approach. The second option is to choose not to pursue the opportunity further and return to the discovery stage.

Stage 4: Go-to-Market Strategy (Due Diligence)
For the qualified leads that were selected for further consideration, this stage looks in detail at the financing requirements, product/service development planning, team building, risk syndication, policy environment, and overall business strategy. This due-diligence stage should include a detailed and in-depth analysis of the methodology that will be used to develop the opportunity and help the product enter and expand in the market. Our economic development consultants can offer a third-party economic perspective, a review of available state and federal incentives, and a cost-benefit analysis at this stage.

Stage 5: Invest / Do Not Invest Decision
This is the second decision stage. Up to this point, the city's primary investment has been in time and human capital. This decision point will determine if the city is going to commit to investing financial resources. This stage is the opportunity to thoroughly evaluate the product's exit strategy, teaming, and other issues that presented themselves during due diligence. It is also an opportunity to finalize the funding that will be provided and revise the market strategy if major roadblocks are anticipated. The goal of this stage is to answer the question: "Are we prepared to invest more money in this?" If the answer is no, the same two options are still available as in Stage 3. The product can be funneled to an accelerator program that will help refine its go to market approach, or it can be filtered out of the opportunity pipeline. Opportunities entering the accelerator should be on-ramped again at Stage 2 so that any fundamental changes to the approach can be reassessed.

Stage 6: Execution
This stage implements the Go-to-Market Strategy and includes a clear terms sheet and/or memorandum of agreement between the stakeholders related to the proposed outcomes (i.e. how will profits be distributed, what source of funding will be used for additional capital if needed, who owns any intellectual capital derived from the venture, etc.).

Stage 7: Monitoring & Portfolio Evaluation
During this stage the city's team acts reviews the products in its portfolio, and conducts periodic evaluations of its performance. This stage can last for several years and includes assessing whether the product portfolio is generating the economic returns that were anticipated. Adjustments to the portfolio and the City's investment criteria will need to be made during this stage based on the findings of the portfolio evaluation process. This stage is important because the overall economic impact of the approach is based on the performance of the entire product line, not just the performance of an individual product within the portfolio. It is also important because the data gathering and analysis conducted during this stage will determine if we are meeting performance criteria and whether additional capital will be needed for failing to meet criteria.

Stage 8: Exit
At some point, the city's role in a given investment opportunity will be substantially concluded. The city will have established exit criteria during the process that will allow the city to exit from its role as an investor. These exits may come in the form of an acquisition by a strategic partner, the development of a co-op, or terminating the product line if it is not successful.