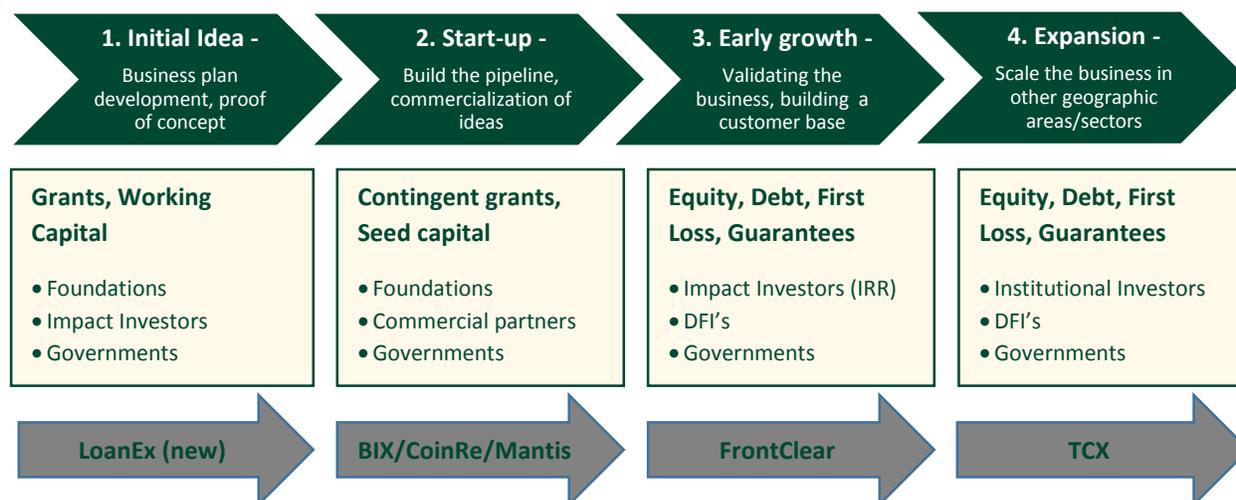


Stages in Development and Funding Needs

The initiatives under Cardano Development generally go through 4 stages in their development: 1. Initial idea, 2. Start-up, 3. Early growth, 4. Expansion. These stages have different needs for funding, ideally provided by a diversified pool of investors (Figure 1).

Figure 1 Stages in Development and Funding Needs



Stage 1: To develop an idea or product, working capital is needed, typically made available via a grant. If the idea or product gets its form, a management team is set up and a business plan is made to clarify to potential investors how their investment will generate a return. Under Cardano Development we are currently investigating to create LoanEx, a platform to share syndicates which are to be used to finance development projects.

Stage 2: In stage 2, the initiative will actually start to operate. A client portfolio needs to be built and the product will be sold. Business partners ideally become interested to join forces. If this stage is successful, the initiative will try to get a fund structure. This process can be lengthy, and equity capital provided as seed funding is needed to cover start-up costs. This share of equity capital can serve as a guarantee based on which debt capital can be attracted. BIX Capital, CoinRe and Mantis are currently in this stage of their development.

Stage 3: At this stage, the initiative becomes a fund. DFI's and governments are attracted to invest and provide the capital based on which the fund can operate, especially in the riskier segments where the market is absent. The portfolio of clients is growing, sales are increasing and a return is expected. Under Cardano Development, Frontclear became a fund in the summer of 2015 and is currently targeting its first deals. To become interesting for the global emerging market banks, Frontclear will need to grow.

Stage 4: In order to grow and to serve other countries, sectors or clientele, the capital base needs to be enlarged. This capital traditionally comes from DFI's and governments, and can serve as a guarantee or first loss for capital provided by institutional investors, that are typically more risk averse. Under Cardano Development, TCX is seeking additional capital to implement their new strategy which is to develop the infrastructure and (renewable) energy portfolio.