

## Hybrid EDM Investment Model

**Proposal:** Design one or more hybrid EDM investment models that leverages public resources to **decrease individual transaction costs, reduce risks, and target woman and minority-owned businesses**, while meeting institutional investor and asset manager return requirements.

### **Step One – Assessment and Evaluation**

- **Needs of Investors:** Review and summarize key elements of EDM investment policies.
- **Needs of Asset Managers:** Develop a generalized list of financial and non-financial needs of the asset managers.
- **Needs of Businesses:** Identify business readiness criteria. Evaluate whether a financial or community intermediary could improve a business situation and/or provide initial businesses readiness assessments.
- **Due Diligence:** Outline the due diligence process and identify key cost centers and significant challenges. Evaluate whether any of the identified practices or costs can be supplemented or mitigated through activities by a financial or community intermediary.
- **Ongoing Business Development:** Define, in general terms, the ongoing business relationship between the investor and business owner. Identify the most common practices and most costly activities. Evaluate whether any of the identified practices or costs can be supplemented or mitigated by financial or community intermediary.
- **Opportunities for Public Programs:** Review and summarize state and federal economic and workforce development programs which could be better focused to attract private investment to emerging domestic markets.
- **Existing Models:** Review and summarize key elements of existing investment models that use financial and/or community intermediaries.
- **Models of Metrics:** Review and summarize metrics commonly used by investors, lenders, and financial and community intermediaries.

**Timeline:** Initial review and assessment complete by December 14, 2007

### **Step Two – Development and Testing of Prototypes**

- **Setting Design Parameters:** Based on the assessment and evaluation information, develop a set of key investment design characteristics for use in the Hybrid EDM investment models.

Working Draft – Revised October 31, 2007

- **Setting Metrics:** Based on the survey of metrics, establish a basic set of metrics for use in the Hybrid EDM investment models.
- **Phase I Model:** Based on the design parameters and evaluation metrics develop and outline one or more investment models.
- **Evaluate Phase I Model:** Identify strengths and weakness of each model. Make appropriate adjustments to the models. Identify public policy changes that may be necessary to implement the models.
- **Implementation Strategy:** Develop an implementation strategy that builds on the resources and priorities of existing emerging domestic market stakeholders.

**Timeline:** Initial discussion at December 14, 2007 meeting and finalized at January 22, 2008 meeting

### **Step Three – Institutional Investor Review**

- **Institutional Investor Consultation:** Request CalPERS, CalSTRS, New York Common and other investors that currently invest in, or that are considering investing in, emerging domestic markets to review the draft models and make recommendations.
- **Asset Manager Consultation:** Request private equity and fixed income asset managers to review the draft models and make recommendations.
- **Financial and Community Development Intermediary Consultation:** Ask lenders, financial development corporations, economic development corporations, community development corporations, government entities, and financial and community intermediaries to review the draft models and make recommendations.

**Timeline:** Ask for a 45 day turn around.

### **Step Four – Final Advisory Group Review**

- **Final Adjustments:** Based on the information gained through consultation with key stakeholders, make final modifications to the Hybrid EDM investment models.
- **Code Green:** Initiate the implementation strategy.

**Timeline:** TBD