

Cooperative Research and Development Project between FUB/CDT and TERRACAP

Technical and Economic Feasibility Study for
Digital Capital Technology Park
[Parque Tecnológico Capital Digital – PTCD]

Product 5.7 – Development of Strategic Planning	
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1 INTRODUCTION

Companhia Imobiliária de Brasília (Terracap), established through Law No. 5861, of December 12th, 1972, is a state-owned enterprise under the Government of the Federal District (GDF). It is governed by the law under which it was established, its articles of incorporation and the applicable law of corporations, and Terracap's purpose is to operate in the real estate business for the best interest of the Federal District in exchange of compensation, and this business comprises use, acquisition, management, provision, development, encumbrance or disposal of properties.

Pursuant to Law No. 4586, of July 13th, 2011, Terracap also took on the role of Development Agency for the Federal District by designing, deploying and implementing economic and social development programs and projects for the Federal District, and it may also foster public-private partnerships, incorporation of special purpose companies (SPEs) and engage in urban joint ventures for the deployment and development of projects considered to be strategic by the Government of the Federal District. In view of this backdrop, Terracap plays a key role in the public policies included in programs that are being implemented by the Federal District Government, in particular with regard to the Parque Tecnológico Capital Digital [Digital Capital Technology Park] – PTCD.

Considering the existing collaboration between the University of Brasilia Foundation (FUB) and the Ministry of Planning, Budget and Management's Federal Property Department – SPU established in January 2009, with coordination of the Decision Making Technology Laboratory – LATITUDE, University of Brasilia's Department of Electrical Engineering, through three projects for the development of SPU's processes, methodologies and management tools, Terracap realized that the approach to dealing with Federal property can be extended and applied to Federal District's properties, in particular to the management of the PTCD project.

Furthermore, issues related to the PTCD implementation strategy have been addressed in previous studies conducted by UnB upon request by the GDF (FAPDF-FUB Project, 2008), thus enabling management of PTCD to be addressed on an informed basis. This experience underpins the participation of the LATITUDE Laboratory team this in this new environment. Also, the PTCD is an information and communications technology

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park and its feasibility study will need to provide answers to questions such as: type and size of companies in the ICT sector that can operate at the park; types of services and products with the greatest potential; labor capabilities, existing and required professional skills (electrical, network, computing, production, and automation and control engineers, computing and information scientists, technologists); academic institutions in a position to research, innovate and transfer technologies to the park, etc.

In view of the above, and considering CDT/UnB's extensive experience in the preparation of technical and economic feasibility studies (TEFS), Terracap and the LATITUDE Laboratory, with support from CDT/UnB, started discussing the possibility of conducting a cooperative research and development project in order to carry out a TEFS for the PTCD with a view to improving the Federal District's property management and fostering strategic ventures for the Federal District.

As a result, an agreement has been established between Terracap and FUB for the development a technology and information services project to support implementation of the PTCD, with preparation of the products that will make up the respective Technical and Economic Feasibility Study.

Project deliverables includes "Product 5.7 – Development of Strategic Planning," which is covered in this technical report.

The purpose of this product is to discuss the analysis of the environment for the establishment of the PTCD by identifying trends, opportunities and threats associated to the establishment process, and strengths and weaknesses of the PTCD in this regard. This analysis is the basis for scenarios for development of the process, making it possible to choose strategic alternatives and, as a result, establish goals and objectives.

2 ANALYSIS OF THE ENVIRONMENT FOR THE ESTABLISHMENT OF THE PTCD

The environment for the establishment of the PTCD (outdoor area) is relatively complex. On the one hand, as the PTCD has the potential to attract international and domestic investors, its strategic planning must take into consideration the global economy and politics, as well as domestic and local aspects regarding the Federal District, which poses a risk in terms of the scope for analysis available, in addition to the issue of instability. On the other hand, since this venture is in the information and communications

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technology (IT/ICT) industry, the environment to be considered is highly dynamic and competitive, evolves continuously and rapidly, and involves investments and solutions for the global marketplace.

As a planning tenet, the more competitive, unstable and complex the environment, the greater the need for a careful analysis. Under such conditions, in order to keep the focus on the identification of environmental factors that might have an impact on the performance of the managing organization of the PTCD, some highly authoritative sources have been selected – particularly with regard to those aspects of a more global nature –, and out of those only the sources that are sure to have an impact on the PTCD have been picked. These sources include the Brazilian Central Bank's *Boletim Focus* (www.bce.gov.br), the Sociedade Brasileira de Computação – SBC [Brazilian Computing Association] (www.sbc.org.br), the Instituto Brasileiro de Geografia e Estatística – IBGE [Brazilian Institute of Geography and Statistics] (<http://www.ibge.gov.br>), the BBC (http://news.bbc.co.uk/2/hi/americas/country_profiles/1227110.stm#facts) and the CIA (<https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>).

2.1 Aspects of the Global Environment

The following stand out in the international stage in recent years and today:

- The economic crisis in the developed world, with a significant increase in domestic and foreign debts, with a major impact particularly in Europe. The debt crisis and austerity measures in Europe have damaged the confidence of consumers and businesses, resulting in a weaker economic outlook;
- It is worth noting, however, that the European Central Bank has recently been successful in averting a global credit crunch, albeit in return for an increase in liquidity in the hands of private banks;
- There is evidence of recovery in U.S. growth, while there are now signs of economic slowdown in China. In both cases, indicators involve a significant degree of uncertainty;
- An employment crises in many countries, which is associated with increased brain drain as talented workers look for new opportunities;
- Political and social instability in specific regions (the Arab Spring, outbreaks of

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war in the Middle East).

The years of prosperity that characterized most of the 2000s were followed by a recession (2008) which still lingers, although signs of recovery can already be felt. There is every indication that such a prosperity-recession-rebound cycle of the world economy should continue into the 21st century, and other instances of this cycle should occur over the next 35 years – period during which the PTCD will be developed. This is the typical risk for a long-term venture, which should be monitored by the managing company of the PTCD with a view to keeping the actions of the Park in line with the Federal District Government policies. Although the initial period of deployment may suffer the impact of the recession (for example, European investors may be risk-averse to new investment), there seems to be capital available (from Asia, the United States, or from another foreign source and even from Brazil) for private partners to join the PTCD business.

2.2 Aspects of the Brazilian Environment

There is a significant degree of agreement among the various sources on the perception of Brazil's situation, and the Country is hailed or perceived internationally as having the following characteristics:

- An economic powerhouse, Latin America's largest economy and one of the emerging powers in the so-called BRICS (Brazil, Russia, India, China, South Africa), in addition to being one of the world's largest democracies;
- Most influential country in South America, a regional leader who aspires for a permanent seat on the UN Security Council;
- A major sanctuary for fauna and flora and water;
- Sustained economic growth underpinned by huge natural resources and a large workforce. The Country has well-developed agricultural, industrial, commercial, and service sectors, and is expanding its footprint in worldwide markets;
- Key natural resources for the industrialized world and self-sufficiency in food and energy. Recent discoveries of oil reserves should place the Country in the position of oil and oil by-product exporter. Recent reduction in deforestation rates;
- Long-term improvement (since 2003) in macroeconomic stability, increased

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foreign reserves, changed debt profile (the Country received an investment-grade rating from various rating agencies), target-based inflation monitoring and control, fiscal responsibility policies in place. Although its growth rate has declined in recent years, the Country overtook the UK to become the seventh largest economy in terms of GDP;

- The Country still has a wide socioeconomic gap between the poor and the rich, as well as an uneven wealth distribution, although it has had major achievements in recent years in terms of lifting millions out of poverty and extreme poverty (such achievements have been praised by the World Bank). The Country has the lowest unemployment rate in its history;
- Arable land is concentrated in the hands of a small group of wealthy families, as opposed to movements for land redistribution;
- Squalid social conditions in large cities, with a major portion of the population living in slums. Crime levels, and poor infrastructure, healthcare and education remain as problems that require urgent attention;
- The high interest rate attracts speculative investments that cause the Brazilian currency to appreciate, which in turn means that the competitiveness of the domestic manufacturing sector suffers;
- Second largest consumer of cocaine in the world, with a significant rate of crimes associated to drugs (international drug smuggling and trafficking, money laundering, arms smuggling, urban violence, violence along border areas, etc.).

With regard to the impacts of Brazil's context on the development of the PTCD, it is fair to say that global actors find it worthwhile to investment here, and that the existing problems are known and their risk has been assessed. In view of the above, this seems to be a good time to launch the PTCD, although this is mitigated by the analysis of the Federal District's peculiarities.

2.3 Aspects of the Federal District Environment

Although from an overall point of view the Federal District may be seen from a perspective that is similar to that for Brazil described above, some peculiarities deserve attention:

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- There is a strong market for Information and Telecommunications Technology solutions in the Federal District. In fact, the Federal District is the second largest market for ICT in Brazil, in particular thanks to the significant demand by the Federal Government, its agencies, enterprises, organizations, etc.;
- The area chosen for the PTCD to be established is of great quality and highly suitable;
- Previously touted as the "Island of Fantasy" for its enviable infrastructure, healthcare services, education services, and public security, the Federal District is now perceived as having deteriorating levels of these services and the associated infrastructure: sprawling urban landscape, environmental degradation, increased and new forms of crime, convoluted and worsening traffic, deteriorating health services, falling levels of education performance, striking socioeconomic inequalities across administrative regions and the Federal District and its metropolitan area (the Federal District boasts one of the highest per capita income levels and the best Human Development Index (HDI) in the Country, but is also ranked the 16th most unequal city in the world and 4th most unequal city of Brazil according to a report released by the UN in 2010);
- A conflicting political landscape marked by instability, particularly from 2008 with the changes in the government of the Federal District, as well as from 2010 with the new guidelines that are now in place;
- The science and technology agenda is perceived as not being fulfilled, in particular due to the sector being underfunded in relation to the guidelines in the Federal District's Constitution.

2.4 Aspects of the ICT Industry Environment

The ICT industry, both at the international and domestic levels, has proved to be resilient against the economic crisis, with continued higher growth rates than the world GDP, wage increases, expansion in the service sector, emergence of new technologies and applications, as well as continued momentum of the business activity.

In fact, information technology services are in demand both for investment expansion

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and innovation projects and cost reduction and economies of scale. Thus, the growing ICT market is leveraged as a result of efficiency gains and leaner administrative structures that resort to outsourcing and mainstreaming of technology solutions in virtually every sector of the economy, and these requirements are even magnified in times of crisis.

There are strong indicators that these trends will continue over the next decade, for example, according to predictions by the IDC:

- By 2020, the ICT industry will have a turnover of US\$5 trillion, from US\$1.7 trillion at the end of 2011;
- ICT spending around the world in 2011 showed an increase of 7%, and this is expected to remain at 6.9% in 2012;
- In emerging markets – particularly the BRICS – in 2012, ICT spending will grow by 13.8%, which accounts for 53% of global growth;
- The only potential barrier to such development is the economic and political situation in Europe, as shown above.

Brazil hasn't been pulled into the recession, and information and communication technology services here are making significant strides and are even leveraging the GDP. Brazil's ICT sector jumped from US\$59 billion in 2008 to US\$95 billion in 2011, and was the fastest growing sector in 2011 in terms of the GDP (IBGE).

According to the Associação Brasileira das Empresas de Tecnologia da Informação e Comunicação (Brasscom) [Brazilian Association of Information and Communication Technology Companies], this trend includes some of the following features, patterns and indicators:

- The information services sector increased by 4.9% in 2011, above the national GDP growth rate (2.7%), and was ahead of more prominent sectors in recent years, such as construction (3.6 %), the processing industry (0.1%) and trade (3.4%). In 2010, the sector had grown by 3.8%. In 2009, when Brazil's GDP reported negative growth, information services grew by more than 4%. Information services include telecommunications, Internet, audiovisual services, publishing, and information technology, which accounts for the majority of companies in the sector and for about 50% of the workforce with a job;
- Information technology-related services have been gaining an increasingly larger share in the economy, and the outlook for those who follow a career path

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in IT remain promising. There are currently about 1.2 million workers in this field. The average salary is R\$2,950 and the shortage of IT professionals is estimated at 115,000 people. People who have not yet finished university are already sure to get a job;

- The IT market has increased by 61% over the past 3 years. In 2011, IT generated revenues of US\$96 billion – up 13% over the previous year, accounting for 4.4% of the Gross Domestic Product (GDP). If the telecommunications sector is also considered, the total came to R\$190 billion in 2011, i.e., 8% of the GDP. For 2012, the estimated growth for the industry is 12-13%;
- As more than 40 million people join the so-called “Class C”, you have an emerging group of consumers requiring better healthcare, education, banking and security services, and provision of these services cannot be increased without using IT;
- US\$96 billion make Brazil the sixth largest IT market in the world, and it is estimated that over the next 10 years the turnover will come to R\$220 billion, which may correspond to 6.5% of the GDP;
- IBGE data show that between 2003 and 2009 the number of information services companies jumped from 55 thousand to 70 thousand;
- According to Confederação Nacional de Serviços (CNS) [National Service Confederation], the IT sector accounts for a mere 7.7% of total private specialty service providers. On the other hand, this sector accounts for the largest share of net sales (28.8%), with an average revenue per company about four times higher than the level of sales of other service companies;
- According to the Associação Brasileira das Empresas de Software (Abes) [Brazilian Association of Software Companies], the software development, production and distribution and service segment alone is currently operated by approximately 9 thousand companies, 85% of which are micro or small enterprises. The investment cost for starting a company in this industry is relatively low, basically related to personnel and training, which encourages entrepreneurship;
- Since the IT sector is labor-intensive, it has been a major generator of jobs, and **a big challenge for the industry has been precisely to satisfy all the demand for**

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skilled workers. Spending on labor corresponds to about 70% of the costs incurred by IT companies;

- Brazil needs to have approximately 750 thousand new workers in this sector by 2020 in order to achieve the goal of accounting for 6.5% of the GDP. Barriers to meet the demands of the sector include the low percentage of university graduates in the field of exact sciences (about 11%), the high dropout rate in IT programs, lack of math foundation in elementary school, and the small number of workers who speak a foreign language;
- As a result of these shortcomings, Brazil's IT industry is still highly dependent on the domestic market. Exports totaled US\$2.65 billion in 2011, representing a share of less than 3% of the market (by way of comparison, the Indian foreign market, for instance, which is notorious for their call centers and software factories, has a turnover of approximately US\$70 billion);
- In the Brazilian software market, 79% of software programs are still developed abroad;
- The market is dominated by multinationals, but some Brazilian companies have also had a strong performance, and they have even been able to operate internationally.

Now, according to the Brazilian Computing Association:

- The eight largest IT markets in Brazil are: São Paulo, Rio de Janeiro, the Federal District, Paraná, Minas Gerais, Bahia, Pernambuco, and Rio Grande do Sul;
- Today, these markets are experiencing a serious problem regarding skilled labor: they will require 78,000 workers by 2014, but only 33,000 will have completed training programs (except for Bahia, Minas Gerais and Pernambuco);
- According to the Brazilian Ministry of Education (MEC), the dropout rate in university-level IT programs was 87% in 2010. A geographic and curricular distribution of seats needs to be conducted according to market requirements.

In summary, the ICT sector's landscape, its progress over recent years, the current situation and the prospects for growth in the long term continue to point to a favorable environment for the establishment of a technology park with a focus on ICT, such as the

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PTCD. The challenges lie mainly in shortcomings related to skilled labor and reliance on foreign stakeholders.

3 ANALYSIS OF THE PTCD'S SITUATION

The strategic diagnosis is based on perceptions stemming from the external and internal analysis process for the project, classically divided as follows (SWOT analysis):

- **Strengths:** These are the internal, controllable variables that create enabling conditions for the project in relation to its environment;
- **Weaknesses:** These are the internal, controllable variables that hinder the project in relation to its environment;
- **Opportunities:** These are the external variables that cannot be controlled by the project. They can create enabling conditions for the project, provided that it can and/or wishes to seize them.
- **Threats:** These are the external variables that cannot be controlled by the project and that can create hindering conditions for it.

Thus, the strengths and weaknesses make up the internal analysis of the project – controllable variables –, while the opportunities and threats make up its external analysis, and this is where variables that are hard or impossible to control are represented.

It should also be pointed out that the project's environment is not a stable, consistent and predictable aggregate, but a rather dynamic aggregate on which a great deal of forces act on an ongoing basis. The quality of the situation analysis intrinsically depends on the quality of the data used to perform it. These data are obviously dynamic, and they change over time. Hence, to the extent possible, the SWOT analysis and its results (goals and actions) must be updated, and this should take into account changes in the Federal District, domestic and international environments. It should be emphasized in particular that the following results are the culmination from a summary of scenarios presented in the analysis of the environment described above, and they need to be updated as they are used.

3.1 Existing Strengths

The following list is an attempt to summarize those items where the PTCD project (or

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its partners and participants) is poised to perform exceptionally well, the advantages provided by the project, valuable assets and resources in the project and the PTCD's strengths as perceived by its partners and potential customers:

- In addition to being in charge of real estate administration issues, Terracap has a mandate as a development agency for the Federal District;
- An area allocated for the PTCD, with environmental licensing and notary registration projects that have already been approved;
- Prime location of the area allocated to the PTCD, though – especially because the area is currently vacant – it does not have the necessary capabilities and utilities (water, sewer, power, cycle paths, subway, heliport, a bus transit system, taxis, logistics, eateries, a fire brigade, a police squad, healthcare, etc.) or have them in a small scale;
- Closely located to the decision-making instances of the three Branches of Government;
- The PTCD is considered to be a strategic project for the GDF – it is the only project for a science and technology park in the Federal District that satisfied all legal requirements for its establishment;
- Banco do Brasil's Datacenter is now in the process of being established in the project area, which is not only an indication of the feasibility of the PTCD initiative, but could create a potential for Banco do Brasil to become a consumer of products and services provided by the Park;
- Well-established and technologically advanced companies in the Federal District. These are both local companies and branches from other Brazilian regions;
- The Federal District's perceived excellence in teaching, research and extension. The University of Brasilia was ranked 8th in the list of Latin American universities in the Webometrics (http://www.webometrics.info/top100_continent.asp?cont=latin_america) in January 2012, and was ranked 11th in the QS (<http://www.topuniversities.com/university-rankings/latin-american-university-rankings/2011>) in 2011; the Catholic University of Brasilia is ranked 82nd in the webometrics;

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- One can find the following a few miles from the PTCD: two public university campuses with colleges and departments devoted to information and communication technology – one of them is in Asa Norte and the other is located in Gama, a Federal Institute of Technology in Asa Norte, 15 private institutions (universities, colleges) with undergraduate programs in ICT-related fields¹;
- ICT training programs at various levels: secondary school, undergraduate, specialization, master degree, professional master degree, and Ph.D.;
- A talent pool in the area of ICT – graduates, specialists, masters and doctors;
- Managers and institutions specializing in promotion, research, development, innovation, technology transfer, and technological entrepreneurship;
- High-quality primary, secondary and higher education institutions, and international schools;
- Advantages for the Federal District: one of the best infrastructures in the country, particularly in relation to ICT; prime geographic location; a cosmopolitan city; climate and environment that are favorable to the project; highest HDI in Brazil; highest GDP per capita in Brazil; ease of access and distribution; “Dry Port” – inland Customs station; direct flights to all capital cities in Brazil and to many international destinations (Latin America, Europe and the United States);
- Promotion programs sponsored by the local government;
- Presence of foreign embassies as an enabling environment for international relations;
- Dedicated funding to the area and tax incentives for R&D in the Mid-West region;
- Major volume of government procurement and investments in the ICT

¹ UCB - Universidade Católica de Brasília, CEUB - Centro Universitário de Brasília, FATE - Faculdade Ateneu, FACIPLAC - Faculdade de Ciência e Tecnologia do Planalto Central, FACITEC - Faculdade de Ciências Sociais e Tecnológicas, FASEP - Faculdade Serrana, FTB - Faculdades Integradas da Terra de Brasília, IESB - Instituto de Educação Superior de Brasília, UNIP - Universidade Paulista, UNIDESC - Centro Universitário de Desenvolvimento do Centro Oeste, UNIPLAN - Centro Universitário Planalto do Distrito Federal, UNIDF - Centro Universitário do Distrito Federal, UNOPAR - Universidade Norte do Paraná, UPIS - Faculdades Integradas, Unicesp - Instituto Científico de Ensino Superior e Pesquisa.

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sector.

3.2 Existing Weaknesses

The following list is an attempt to summarize those items where the PTCD project (or its partners and participants) would have to improve its capabilities, as well as items for which the project has been criticized or been the target of complaints, or vulnerabilities of the project:

- Issues in budget allocation and implementation regarding the field of science, technology and innovation within GDF, especially the constant breaches to the required allocation of 2% of the Federal District's annual budget to this area (Article 195 of the Federal District 2005 Organic Law reads: The Government shall establish and manage Fundação de Apoio a Pesquisa – FAPDF [Research Support Foundation] by allocating a minimum of two percent of the Federal District's budgetary funds, which shall be transferred monthly into twelfths, as income to be independently managed by it and used for scientific and technological development);
- Lack of follow-up as administrations change and lack of autonomy regarding PTCD-related actions. It has been taking a long time (more than 10 years) for the Park to be established;
- GDF's – particularly Terracap's – lack of experience with public-private partnerships. Problems to understand and agree on the legal framework and governance framework for the PTCD's managing entity;
- The private sector's lack of experience with public-private partnerships. The PTCD is perceived by the private sector as a mere real estate venture;
- Multiple interests and viewpoints regarding the results to be achieved by the project, especially within the government, but also among the three segments involved – government, private sector and academia. Ineffective institutional and program relations between the private sector, academia and the government;
- Potential partisan/political maneuvers to water down and/or alter the

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project, especially in the development phase;

- Lack of a consistent communication plan that takes into account widely diverse audience profiles involved in the project;
- Lack of a marketing framework for disclosure of the Federal District's entrepreneurship potential in the field of ICT. Industry perceived as primarily associated with the government sector;
- Compliance with procurement laws for the creation of managing company, with required deadlines and potential increase of establishment costs;
- Major startup costs due to the size of the area and adjustment to the infrastructure and activities that currently exist on site, which may make it difficult to raise funds;
- Very tight deadlines for the construction works and operation of companies within the venture may discourage participation (investment/return) of the private sector;
- Difficulty in hiring qualified technical staff;
- (Financial and institutional) cost of meeting environmental restrictions required by the relevant authorities;
- Public bidding notices are dependent on funding for the implementation of activities that make up the project;
- The partners lack a culture of working through networks;
- Absence of specific, consistent public policies for the establishment of technology parks;
- Difficulty in establishing partnerships that have different experiences with technology parks in Brazil and internationally;
- Lack of investments and aggressive incentive policy for the ICT sector (one of the lowest levels of investment in research, development and innovation in the Country, poor innovation and results of applied research and development, lack of integrated planning in terms of an innovation strategy for the sector, lack of a STI investment policy focused on economic development);
- Uncertainty regarding tax issues for the ICT sector;
- Businesses find it difficult to obtain loans as ownership of the PTCD's area

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is not transferred;

- Excessive red tape at all levels of business, costing and challenges involved in operating a business;
- Federal District's hindering features: High cost of living, challenges of housing and associated high cost, inefficient public transport system, poor road infrastructure, high cost of labor.

3.3 Existing Opportunities

The following list is an attempt to summarize those items where the PTCD project (or its partners and participants) may generate closed or open opportunities to commercial development, as well as known trends that the project may leverage or opportunities that can be seized thanks to the PTCD's strengths:

- Tendency towards investing in clean and sustainable projects (green computing);
- Industry growth is above the average for the Brazilian and the global economy;
- High demand for ICT by the federal district and the federal governments as the discussion on the deployment of new computing and communication network services and models in the public sector evolves;
- Growing interest of foreign companies in investing in the BRICS countries;
- International investments targeted at the ICT sector;
- Transnational companies seeking to operate in the Federal District;
- Potential to create technology-based ventures and jobs, with the following estimate, considering the area available (as per Product 5.1: total buildable area of 287,669.40 sq meters, with 15% for communal use) and the potential project sizes:

<i>Business size</i>	<i>Area per business (sq m)</i>	<i>Number of companies</i>	<i>Corporate area (sq m)</i>	<i>Direct jobs by company</i>	<i>Direct jobs - PTCD</i>
SME	45	712	32,040	5	3,560

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Medium	200	340	68,000	20	6,800
Medium/ Large	500	141	70,500	50	7,050
Large	2000	37	74,000	200	7,400
TOTAL		1230	244,540		24,810

- Potential to capitalize on the 2013 Confederations Cup and 2014 World Cup to promote the PTCD (the actual construction of Brasilia's stadium could be used to generate confidence in the PTCD, due to a previous achievement of the GDF/Terracap). Likewise, Banco do Brasil's Datacenter has an important impact on the urban landscape of the Federal District, and it means that the public-private partnership stands a chance to succeed and that the PTCD has now been launched in earnest;
- A democratic regime and economic stability in the Country, cultural affinity with Western countries in the northern hemisphere and Japan (these are currently major ICT markets) as well as with Arab and African countries (potential markets);
- Potential to offer alternative services that will bring to Brazil the flow of outsourcing that is currently channeled to China and India;
- Potential to outline products and policies in strategic forums in the Federal District;
- Lines of support and finance for innovation for the federal and federal district governments;
- Emerging network of local technology parks – biotechnology, microelectronics and semiconductors, healthcare and digital TV;
- Emerging network of national technology parks;
- Coming of age driven by the internationalization of companies in the ICT sector.

3.4 Existing Threats

The following list is an attempt to summarize those items where the PTCD project (or its partners and participants) may encounter challenges or failures due to weaknesses that make the PTCD vulnerable, external barriers that could prevent the park from developing, disputes between partners and participants that affect the PTCD, economic conditions affecting financial feasibility, threats that could affect the PTCD, initiatives and achievements of competitors, as well as other threats that could exploit the weaknesses of the PTCD:

- Successive GDF administrations have failed to prioritize State programs. In view of its financial size and long-term establishment, the PTCD should be seen as a State program, and not a Government program;
- Lack of non partisan political concertation involved in the project;
- Slowness of public partners, delaying major decisions on the implementation schedule;
- Ignorance on the part of the private partner of world-class projects for technology parks and the public-private partnership approach, which, incidentally, happens because it is an approach that is in the early stages of deployment in Brazil;
- Risk aversion causing funding to be shut off to support the project (this may be the case for European investors);
- Ignorance on the part of potential investors of the PTCD, its positive features, GDF's incentive programs, tax incentives, socioeconomic status of the Federal District, etc.;
- It is difficult to bring together qualified personnel to support development of the project (risk of shortage of specialized technical professionals in the ICT sector, risk of an insufficient number and quality of training of skilled ICT workers for the PTCD);
- Difficulties involving methods, processes, organization and personnel at Terracap, which should lead the administration and management of the project since it is the representative of the GDF in the public-private partnership;

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- Conflicts of interest among participants (UnB, UCB, FIBRA, SINFOR, SDE, SECTI, Terracap);
- Competition from other national and international technology parks (greater maturity experience and advanced schedule of competing parks: Anápolis, Belo Horizonte, Recife, Florianópolis, Campina Grande; an aggressive incentive and investment policy in other Brazilian states; ICT APLs becoming strongly organized elsewhere; aggressive STI policy in other countries and other Brazilian states).

4 SCENARIO BUILDING AND SELECTION OF STRATEGIC ALTERNATIVES

Under the null scenario, Terracap makes the decision to stop the PTCD project and does not select a private partner. In this case, Terracap relinquishes a substantial part of its role as a development agency, but is still the owner of the area that can be allocated to a merely real estate venture, albeit targeted at technology companies. This scenario seems to be highly unlikely due to political commitments and, as a result of Terracap not playing its role as a public partner – the owner of the land –, the only project of a science and technology park for the Federal District that may be established will not materialize.

Under the pessimistic scenario, a bidding process is conducted to select the private partner, but some impediment to implementation emerges, such as: a) for some reason (political environment, risk aversion, promotion problems, deadline issues, etc.) no bidders submit a bid to act as private partners, b) bidders exist, but the bidding process stalls for some reason (issues with the documentation and clarifications, court orders, complaints, collusion, etc.), c) the bidding process is successful and a partner is selected, but the SPE fails to be established (insufficient capital, winning bidder withdraws its bid, etc.) or d) the SPE is established, but the goals are not met. Under this scenario, it is up to Terracap to reassess and resume the process or to abort it. In this case, Terracap is still the owner of the area that can be allocated to a merely real estate venture, albeit targeted at technology companies. Since all determinants leading to the pessimistic scenario are predictable and manageable, such a scenario seems very unlikely. It should be noted, however, that the bidding process and objectives of the PTCD must be properly advertised, appropriate deadlines must be set and the bidding documentation and reporting, clearance and

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submission stages of the bidding process must be followed carefully.

Under the optimistic scenario, all goes according to plan for the selection of a partner, establishment of the managing company, and launch of deployment. In this case, the key issue will be to monitor the activities of the PTCD and ensured their continued performance. To this end, Terracap should have its own team, with a specific approach for the management of the public-private partnership, as well as adequate management tools and a database so as to verify achievement of the goals and make adjustments. This scenario also seems very unlikely: the estimated amounts; the structural complexity of the PTCD (although it requires no special techniques or materials in its construction, as per Product 5.3); the need to ensure a continuous flow of investments and returns (realizable within a certain margin, as per Product 5.4); time constraints; inherent risks and uncertainties in the ICT industry; vicissitudes in the economy and politics are an indication that challenges and issues are expected to arise and should be tackled adequately and on a timely manner.

So a realistic scenario seems more likely, i.e., a project managed continuously since any of the weaknesses discussed above could be explored or any of the threats could materialize in the project. Thus, as mentioned above, from the launch of the bidding process and not just from its completion, Terracap should have its own team to manage the process. In the early stages, the team's goal is to manage the bidding process for the selection of the private partner until the PTCD's managing company is incorporated. From then on, this team should have a specific approach for the management of the public-private partnership, as well as adequate management tools and a database so as to verify achievement of the goals and make adjustments. In view of the estimated amounts involved, and considering the required care to deal with a strategic project for the management of a valuable public asset, it should be reiterated that the following are key factors for project success: compliance with deadlines and assessment of the reasonableness of the designated timelines for the individual stages in the bidding process, as well as the need for adequate advertisement of the bidding process and objectives of the PTCD, and careful compliance with documentation reporting, clearance and submission requirements of the bidding process.

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5 SETTING OBJECTIVES, GOALS AND ACTIONS

The objectives are the intended results and thus they must indicate what the PTCD project (vision) should achieve and its role in the context of the Federal District (mission). To this end, the analysis of internal and external conditions leads to the development of the scenario that the project will pursue, which in turn will have an influence on the goals to be set.

Once the strengths and opportunities have been analyzed and restrictions resulting from the weaknesses and threats have been reviewed, desirability and feasibility of the PTCD to pursue the vision, mission and strategic objectives proposed below is considered. The purpose of these definitions is to follow up on the consensuses already reached by the partners and participants regarding planning for the PTCD, but they have been updated in light of new information on the analysis of the external and internal situation. Specifically, the strategic contextual choices for the PTCD are as follows:

- A focus on the information and communication technology sector by coordinating training, research, innovation, development of products and services, transfer of technology to the market, entrepreneurship, economic policy (for the Federal District), public promotion, and other classes of correlated activities to ensure that the PTCD achieves its objectives;
- Initially allow the PTCD project to explore all the market potential of the information and communication technology industry, i.e., no segmentation of products, services, types of customers, geographies, etc., even if, due to the perceived strengths and opportunities for the PTCD, there is recognition of a greater potential for exploration of the software industry and software applications for the government in particular. A posteriori, monitoring of the implementation process will possibly help outline a leadership strategy for the latter segment that is associated with a strategy where no differentiation is made for the other segments.

5.1 Vision

To be a locus of innovation and development in the field of information and communication technology that generates competitive solutions in the global market.

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5.2 Mission

To promote employment, income and quality of life in the Federal District through information and communication technology ventures.

5.3 Strategic Objectives

- Establish a science and technology park that supports development of the Federal District and metropolitan area's economy through ICT;
- Make the ICT sector in the Federal District one of the most competitive in the world;
- Attract investments to the PTCD;
- Act as a driver of ICT and innovation policies in the Country;
- Support integration of the private, academia and government sectors for development.

5.4 Goals

The goals set in previous stages of planning have been updated, and new goals were outlined that take into account the analysis of the local, national and international situation as described earlier in this document.

- Complete the private partner selection process and be the managing company of the PTCD by the end of 2012 with a view to developing and exploring the PTCD for an initial period of 35 years;
- Complete the definition of GDF's policies (promotion, tax incentives, preferences) to support the PTCD and approve them by the end of 2012;
- Start construction of the SECTI/FAPDF's building in a lot that is adjacent to Lot 1 of the PTCD in 2012, with expected completion by 2014;
- Run a marketing campaign for the launch of the PTCD by July 2012 (in support of the private partner selection process by attracting potential bidders to the partnership, and aiming to have a marketing impact during the 2013

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Confederations Cup and 2014 World Cup to attract ventures to the PTCD). Likewise, the launch of Banco do Brasil's Datacenter, which has an important impact on the urban landscape of the Federal District, may be key for the promotion of the public-private partnership, a sign that the PTCD has now been launched in earnest;

- Organize establishment of the PTCD in four rounds of investment, which correspond to the area's environmental rearrangement:
 - Initial investment: by Terracap: R\$1,080,000,000.00; and by partner: R\$243,052,509.84; occupation of 17% of Lot 1's total area (17% in the aggregate);
 - Investment in the first year: By Terracap: R\$0.00; and by partner: R\$407,165,754.71; occupation of over 23% of Lot 1's total area (50% in the aggregate);
 - Investment in the second year: by Terracap: R\$0.00; and by partner: R\$273,463,637.99; occupation of over 25% of Lot 1's total area (cumulative 75%);
 - Investment in the third year: By Terracap: R\$0.00; and by partner: R\$291,028,981.11; occupation of over 25% of Lot 1's total area (100% in the aggregate);
- Generate 45 thousand new jobs in the ICT sector in the Federal District by 2017 (25 thousand direct and 20 thousand indirect jobs), which corresponds to an estimated 712 SMEs (about 32 thousand sq m), 340 medium enterprises (about 68 thousand sq m), 141 medium-large enterprises (about 70 thousand sq m), and 37 large enterprises (about 74 thousand sq m);
- Bring sales in the ICT sector in the Federal District from 2.5 billion to 5 billion reais per year by 2017;
- Raise 1 billion reais in investments for the PTCD by 2017;
- Attract two world-class R&D laboratories to the PTCD by 2013;
- Attract 5 flagship companies to the PTCD by 2017;
- Incubate 50 ICT companies by 2017;
- Export a minimum of 50 million dollars per year in products developed at the PTCD from 2017.

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- Establish strategic alliances with at least one technological park in each continent by 2013;
- Train 7,500 ICT workers by 2017:
 - Ph.Ds: 250
 - Masters: 1,750
 - Specialists and technicians: 5,500
- Make all workers working in the PTCD fluent in English by 2017.

5.5 Actions

The list of actions is an attempt to implement a strategy that helps achieve the stated objectives based on a long-term vision, but through actions with a shorter term that are proportionate to the effort, which may be subject to a schedule that takes into account priorities and checkpoints.

A part of the set of actions must be validated and detailed by Terracap with other Federal District Government's bodies and agencies.

In any case, it is up to Terracap to form a team for the project that is authorized to manage such actions, with the choice of implementation approaches, selection of partners, contracting, etc. Such actions will also influence the benchmark needed for monitoring the results for the purpose of verifying compliance with the goals:

Terracap's actions regarding the public-private partnership

- Complete bidding process for selection of the private partner
 - Validate the Technical and Economic Feasibility Study
 - Complete the Master Project and the Draft Bidding Notice
 - Consult with supervision bodies
 - Submit Bidding Notice to Public Consultation (Portal, Federal District's Official Gazette and major newspapers)
 - Hold a public hearing on Bidding Notice
 - Revise Bidding Notice following public consultation/hearing
 - Consult with CPLAN/Terracap
 - Obtain financial authorization
 - Obtain legal opinion
 - Obtain approval from DIRET/Terracap and CONAD/Terracap
 - Publish Bidding Notice
 - Hold bidding process and contracting of SPE's shareholders
 - Monitor preparation of bids
 - Receive and open bids
 - Review and rank bids and select winning bidder
 - Approval and publication of contract award and commitment of funds
- Execution of contract
- Incorporate the PTCD's managing company

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- Notify the Federal District's Legislative Chamber (CLDF)
- Incorporate the corporation
- Launch implementation of the PTCB
 - Launch project monitoring unit by Terracap
 - Outline the project monitoring process
- Monitor implementation and activities of the PTCB
- Terracap's preparatory and additional actions
 - Activities related to maintenance of the PTCB's premises
 - Organize coordination with Secretaria de Obras [Department of Public Works]
 - Identification and signage (billboards) of PTCB's premises
 - Cleaning and maintenance of the PTCB's premises
 - Procurement of electricity supply for the PTCB – CEB
 - Procurement of deployment of a water supply and sanitation system for the PTCB – CAESB
 - Procurement of drainage and paving for the PTCB – NOVACAP
- Terracap's actions under a partnership with the private sector
 - Completion of construction works for Banco do Brasil and CEF's Datacenter
 - Project to set up BRB's Datacenter at the PTCB
 - Inclusion of the Federal District's Construction Union (SINDUSCON) in the PTCB Project
 - Organize coordination with representatives of SINDUSCON
 - Negotiation of way in which sector can participate in the PTCB
 - Attraction of investments to the PTCB
 - Engagement of an expert consultancy
 - Preparation of the communication plan
 - Preparation of the marketing plan
 - Plan communication portal for the PTCB
 - Road show to introduce the PTCB
 - Introduction to federal and local government organizations and agencies
 - Introduction to the national and local private sector
 - International introductions
 - Negotiations to attract ICT companies to the PTCB
- Actions by the Science, Technology and Innovation Department (SECTI)
 - Master Plan for Science, Technology and Innovation Development (PDCTI) in the Federal District
 - Prepare the PDCTI
 - Approve the PDCTI
 - Update and Re-enact the GDF's Agenda for Science and Technology (Decree No. 25752/2005)
 - Reconcile FAP-DF's programs with the PTCB's thematic area
 - Build FAP-DF's headquarters
 - Allocate the funds included in the Federal Budget for 2012 (Amendment put forward by Federal District's Congressmen)
 - Obtain allocation of the Federal District's matching funds in the GDF Budget for 2012
 - Build FAP-DF's headquarters
 - Policies to support the PTCB
 - Prepare the PEV
 - Approve the PEV
 - Attraction of RDI organizations in the ICT industry to the PTCB
 - Design mechanisms to attract RDI centers/laboratories
 - Prospect RDI centers/laboratories to operate at the PTCB
 - Entrepreneurship Program for the Creation of New Technology Companies (NEBT)
 - Develop a program for a pre-incubator, incubator and business accelerator
 - Incorporate the PNEBT's managing company
 - Training program for PTCB's workers
 - Establishment of an ICT higher education institution at the PTCB
 - Project design
 - Approval with the Ministry of Education (MEC)
 - Implement professional training programs for PTCB's managers
 - Implement a foreign language training program for PTCB's workers

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Joint actions involving SECTI, SEFAZ and TERRACAP

GDF's Tax Incentives Policy Program (PPIF) for the PTCD

Perform a probing survey with the Secretary of Treasury

Develop the PPIF

Approve the PPIF

Resident Business Preference Policy (PPE) in the PTCD for government product and service procurement (the federal and local government)

Develop the PPE

Approve the PPE

Implementation of such actions puts the strategy into practice, however, given the significant potential for challenges and problems, you must have a process in place to monitor and review implementation of the strategy. This process must employ the indicators specified in the goals for the PTCD.

This process can be implemented through cooperation between the PTCD's Technical and Scientific Council (unit under the management of the PTCD) and the dedicated team for the management of the PTCD project by Terracap (external verification, contract supervision, public-private partnership control).

In this process, the status of actions must be continuously checked against deadlines for the achievement of goals, especially the key actions planned for the period 2014-2017. So one must check which actions have been performed and which actions are yet to be completed, and they must be updating in terms of their effectiveness.

6 CONCLUSION

Through a coordinative and interdependent effort between TERRACAP's and the University of Brasilia's teams, the activities for the development of Product 5.7 were planned, discussed, implemented and documented.

Completing the product is an important step for achieving the project because, in view of the information collected and the proposed strategy, it is possible to carry out the planned actions, monitor implementation and evaluate the associated results in order to thoroughly establish the PTCD, launch and manage the activities of the Park.

The activities involved in this stage formally followed the steps in the approach listed for project management – PMP/PMI.

UnB's team believes that they had access to all information necessary for adequate performance of the work, and that the provision of such information by TERRACAP's team, as well as the joint analysis work and discussions, have helped complete the design stage.

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