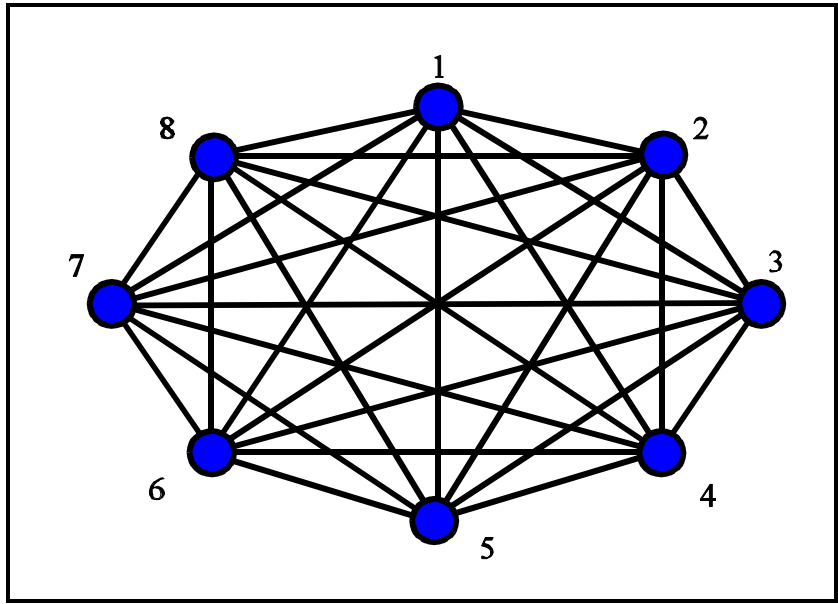
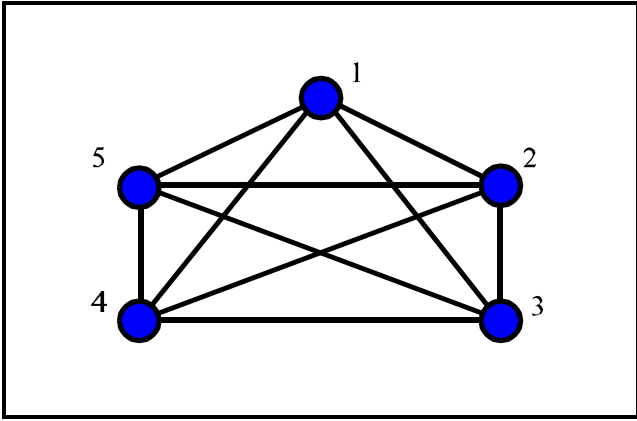


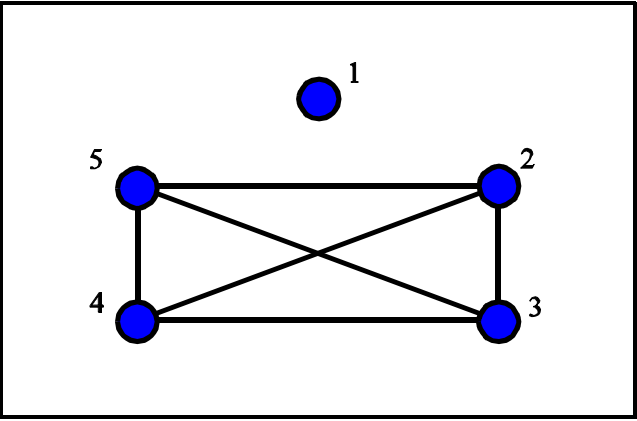
**Figure 1a: The Empty Network (n=8)**



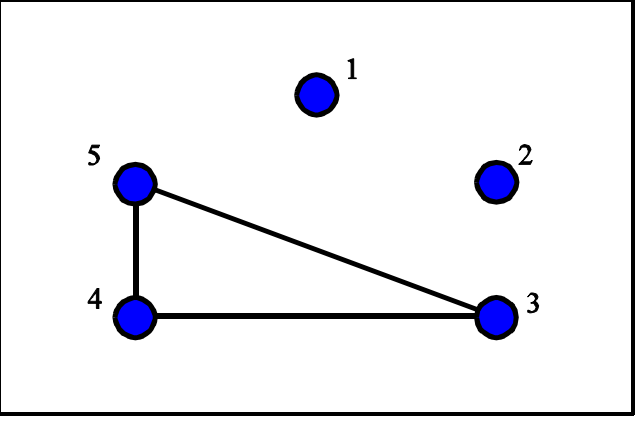
**Figure 1b: The Complete Network (n=8)**



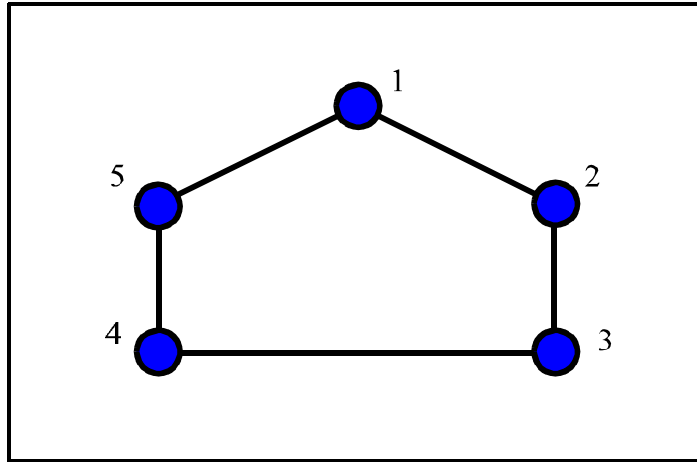
**Figure 2a: Complete Network**



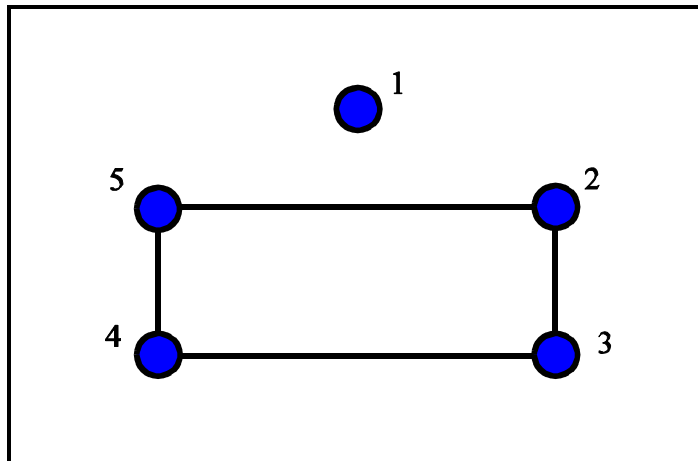
**Figure 2b: Dominant Group and One Fringe Firm**



**Figure 2c: Dominant Group and Two Fringe Firms**

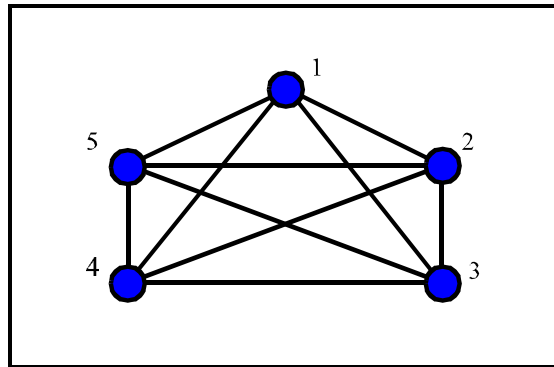


**Figure 3a: Intransitive Stable Network**

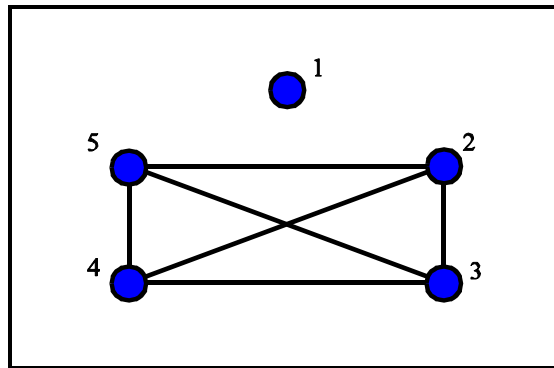


**Figure 3b: Unconnected Stable Network**

**Figure 3: Decreasing Convex Costs ( $n=5$ ,  $k^*=2$ )**

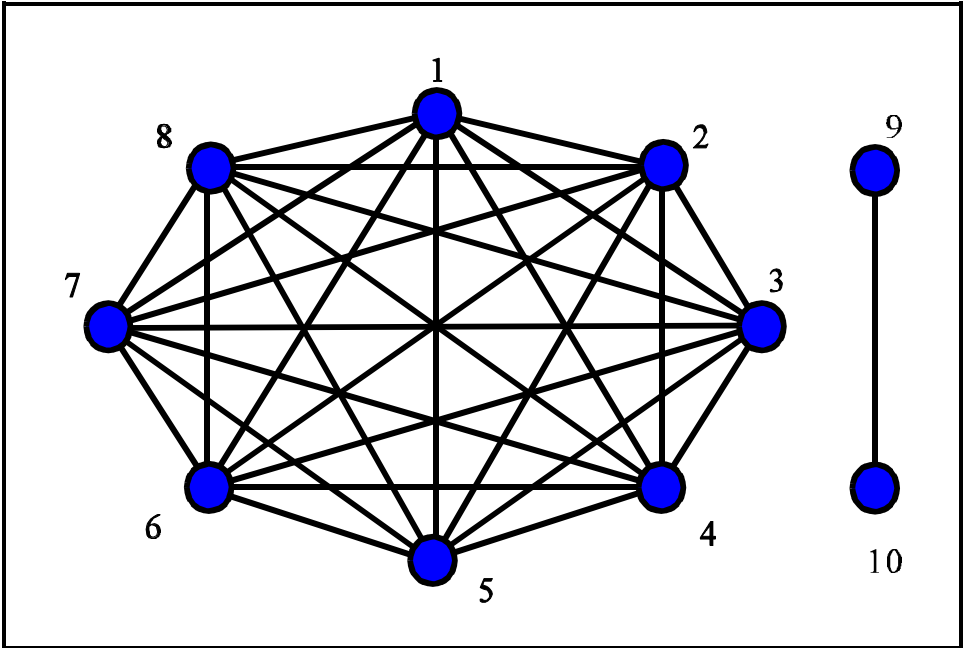


**Figure 4a: Complete Network**

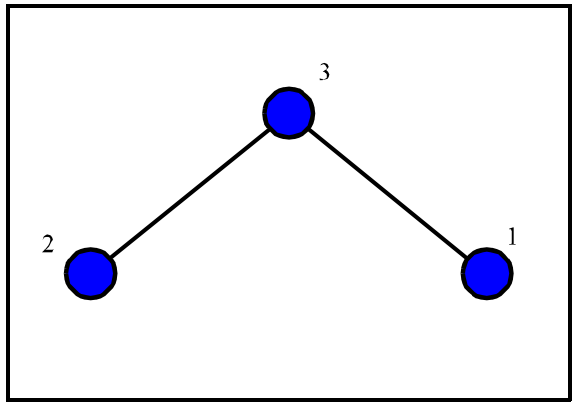


**Figure 4b: Dominant Group and One Fringe Firm**

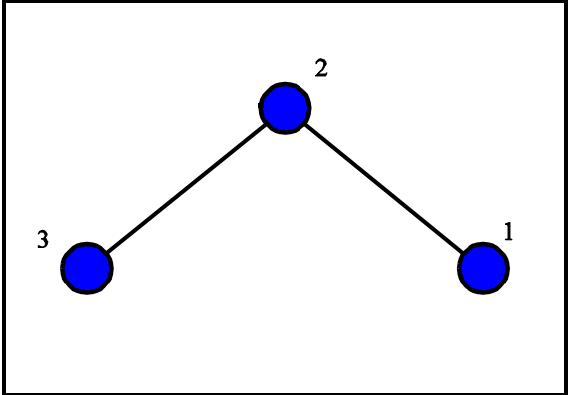
**Figure 4: Decreasing Concave Costs ( $n=5$ ,  $k^*=3$ )**



**Figure 5: Impact of Spillovers**



**Figure 6a: Star Network**



**Figure 6b: Star Network**