



PrizeCapital®

About Prize Capital

What is Prize Capital's mission?

Since its founding in 2006, Prize Capital has been on a quest to identify and create investment methodologies that help lead to a sustainable world. That quest led to the use of prizes for innovation, and to the concept of Natural Capital – valuing healthy ecosystems, and the benefits they provide, as an asset.

Prize Capital's emphasis is on Venture Philanthropy – a methodology that envisions the sustainable financing of initiatives to achieve environmental and social goals, while generating profits and the eventual return of capital to investors.

Prize Capital's first investment methodology is its patent-pending venture finance mechanism, which leverages the power of inducement prize competitions.

What is Prize Capital's venture finance mechanism?

Approximately 30 percent of all prize competition winners originate from outside of the competition field, spurring out-of-the-box approaches to overcoming longstanding barriers. The Prize Capital venture finance mechanism establishes a new approach to venture investing that taps the power of prizes. This mechanism introduces a simple but powerful innovation: rather than a cash entry fee paid by the entrants, the entry fee takes the form of Prize Capital having the right to co-invest, in competitors' future rounds of financing. It will invest as a passive "tag-along" investor on identical terms as other co-investors.

Prize Capital's investment approach allows it to invest in multiple dynamic problem solvers – direct competitors within a given sector – while creating value regardless of which team wins a given competition. The model possibly enables an investment in "every horse in the race" – each of which may be winners in the marketplace after the prize competition is over.

How does the Prize Capital venture finance model assist prize competitions?

Recent prize competitions have demonstrated the ability to attract capital to leading competitors. For instance, the winner of the \$10 million Ansari X PRIZE spent \$26 million in order to win the prize (and the competitors altogether spent over \$100 million in pursuit of the prize). The Prize Capital venture finance mechanism provides a platform for even the smallest of competitors to secure additional funding, more appropriately develop their technology, and compete more fiercely. The end result is a stronger overall prize competition.

How is the prize competition kept separate from the prize financing?

A natural concern for prize entrants is that by investing in competitors, Prize Capital will face a conflict of interest, and that key intellectual property could be compromised. To address this concern, the following rules and protocols have been created in order to avoid any favoritism or even perceived favoritism:

- The rules of the competition are 100% transparent and are published on a website for public viewing.
- Prize Capital does not administer or judge the competitions. The competitions are managed by an independent and objective non-profit organization.
- Prize Capital does not request or expose itself to competitors' IP details; It simply takes the option to be a passive "tag-along" investor on identical terms as other co-investors.
- Prize Capital and the non-profit follow strict policies to avoid a conflict of interest or even the perceived conflict of interest. Prize Capital will serve as a passive investor, not serving as a director or playing an advisory role with any company. Prize Capital does not take a board seat or perform any management advisory services for any of the competitors and therefore has no mechanism to influence their actions.

What is Prize Capital's relationship with the non-profit organization that will run the competition?

Once the rules for a prize are established, Prize Capital will enlist an independent and objective non-profit partner with an expertise in inducement prizes, like the X PRIZE Foundation, to review and refine the rules, to manage the competition, and to judge the final results. The non-profit will help recruit the expert panel of advisors, politicians and celebrities, and attract the publicity that will benefit the firms participating in the contest.

Under the Prize Capital model, who owns the competitors' intellectual property?

Prize Capital will have the right (but not the obligation) to co-invest in every round of each teams' financings. Hence, Prize Capital may select to passively place additional capital into teams that seek financing – without seeking board seats or exposure to intellectual property. If teams never seek financing, Prize Capital will not have the right to invest. In either case, the competitor – or the competing entity – maintains its intellectual property.

